



INTERIM REPORT 2002/03



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



NewWorldCyberbase

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 2002 together with the comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited Six months ended 30 September	
		2002 HK\$'000	2001 HK\$'000
Turnover	3	16,251	44,884
Other revenues		3,523	6,819
Staff cost, depreciation and other operating expenses		(19,650)	(87,703)
Gain on disposal of other investment		—	4,680
Gain on disposal of subsidiaries and associated companies		—	14,550
Recovery of bad debts		3,401	1,638
Written back of provision/(provision) for diminution in value of other investments		1,458	(22,862)
Additional depreciation on property, plant and equipment		—	(4,944)
Operating profit/(loss)	4	4,983	(42,938)
Finance costs		(3,362)	(16,196)
Share of losses of:			
Associated companies	3	—	(3,527)
Jointly controlled entities	3	—	—
Profit/(loss) before taxation		1,621	(62,661)
Taxation	5	—	—
Minority interests		—	1,612
Profit/(loss) attributable to shareholders		1,621	(61,049)
Earnings/(loss) per share	6		
Basic		0.03 cents	(1.6 cents)
Diluted		0.03 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		387,865	390,257
Associated companies		4,100	–
Other investments		35,310	33,852
		<u>427,275</u>	<u>424,109</u>
Current assets			
Trade receivables	7	2,406	5,699
Prepayments, deposits and sundry debtors		11,015	8,792
Other loan	8	25,000	–
Tax prepaid		–	46
Cash and bank balances	9	29,167	23,508
		<u>67,588</u>	<u>38,045</u>
Current liabilities			
Trade creditors, deposits and accruals	10	21,149	46,867
Current portion of long term loans	11	9,500	8,500
Short term loans	12	60,085	66,835
		<u>90,734</u>	<u>122,202</u>
Net current liabilities		<u>(23,146)</u>	<u>(84,157)</u>
Total assets less current liabilities		404,129	339,952
Non-current liabilities			
Long term loans	11	103,549	135,549
Minority interests		198	198
Net assets		<u>300,382</u>	<u>204,205</u>
Capital and reserves			
Share capital	13	116,499	77,666
Reserves		183,883	126,539
Shareholders' funds		<u>300,382</u>	<u>204,205</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(40,827)	(37,525)
Net cash outflow from investing activities	(1,878)	(19,021)
Net cash inflow from financing	44,990	62,479
Increase in cash and cash equivalents	2,285	5,933
Cash and cash equivalents at 1 April	6,898	35,752
Cash and cash equivalents at 30 September	9,183	41,685
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	9,183	41,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	77,666	1,662,521	1,040,649	–	(2,576,631)	204,205
Issue of shares – Rights Issue	38,833	58,250	–	–	–	97,083
Share issue expenses	–	(2,527)	–	–	–	(2,527)
Profit for the period	–	–	–	–	1,621	1,621
At 30 September 2002	<u>116,499</u>	<u>1,718,244</u>	<u>1,040,649</u>	<u>–</u>	<u>(2,575,010)</u>	<u>300,382</u>
At 1 April 2001	76,106	1,656,546	1,040,649	3	(2,387,428)	385,876
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>76,106</u>	<u>1,656,546</u>	<u>1,040,649</u>	<u>–</u>	<u>(2,448,477)</u>	<u>324,824</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 2002, the accumulated losses of the Group amounted to HK\$2,575,010,000 and that its current liabilities exceeded its current assets by HK\$23,146,000.

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 2002.

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 2002 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 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cashflow statement
SSAP 25 (revised)	Interim financial reporting
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

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

(a) SSAP 11 (revised) "Foreign currency translation"

The balance sheet of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy. However, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) SSAP 34 "Employee benefits"

(1) *Employee entitlements*

Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(2) *Pension obligations*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Company to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

3. SEGMENT INFORMATION

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

Primary reporting format – business segments

	Six months ended 30 September 2002		
	Property investment	Technology related services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>8,853</u>	<u>7,398</u>	<u>16,251</u>
Segment results	<u>5,291</u>	<u>(1,222)</u>	4,069
Unallocated costs			(1,370)
Other income			826
Written back of provision for diminution in value of other investments			<u>1,458</u>
Operating profit			4,983
Finance costs			<u>(3,362)</u>
Profit for the period			1,621
Minority interests			<u>–</u>
Profit attributable to shareholders			<u>1,621</u>

	Six months ended 30 September 2001		
	Property investment	Technology related services	Total
	(Restated)	(Restated)	(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>13,523</u>	<u>31,361</u>	<u>44,884</u>
Segment results	<u>10,926</u>	<u>(17,785)</u>	(6,859)
Unallocated costs			(34,451)
Interest income			2,004
Gain on disposal of subsidiaries			19,230
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	–	(3,527)	(3,527)
Jointly controlled entities	<u>–</u>	<u>–</u>	<u>–</u>
Loss before taxation			(62,661)
Taxation			–
Minority interests			<u>1,612</u>
Loss attributable to shareholders			<u>(61,049)</u>

The Group is organized into two main business segments:

Property investment
Technology related services

There are no sales or other transactions between business segments. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

Although the Group's two business segments are managed on a worldwide basis, they operate in two main geographical areas:

Hong Kong: Property investment and the provision of technology related services
 The Mainland China: Provision of technology related services

There are no sales between geographical segments.

	Turnover		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
Principal markets				
Hong Kong	8,881	34,917	9,623	(35,260)
Mainland China	7,370	9,734	(6,925)	(4,236)
Others	–	233	–	(1,814)
	<u>16,251</u>	<u>44,884</u>	2,698	(41,310)
Other income			826	2,004
Written back of provision/(provision) for diminution in value of other investments			1,458	(22,862)
Gain on disposal of subsidiaries			–	19,230
Operating profit/(loss)			<u>4,982</u>	<u>(42,938)</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
<i>Crediting</i>		
Provision for termination costs written back	<u>6,382</u>	<u>–</u>
<i>Charging</i>		
Depreciation	2,382	5,467
Operating lease rentals in respect of land and buildings	2,053	3,945
Outgoings in respect of investment properties	2,687	3,065
Staff costs	9,475	29,317
Operating costs in respect of technology related services	5,882	31,601
Administrative expenses	<u>5,545</u>	<u>18,758</u>

5. TAXATION

Hong Kong profits tax has not been provided as there is no assessable profit for the period (2001: 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.

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$1,621,000 (2001: loss of HK\$61,049,000) and on the weighted average number of shares in issue during the period of 4,803,598,108 shares (2001: 3,805,307,441 shares).

The calculation of diluted earnings per share for the six months ended 30 September 2002 is based on the Group's profit attributable to shareholders of HK\$1,621,000 and 4,806,359,196 shares which is the weighted average number of shares in issue during the period plus the weighted average of 2,761,088 shares deemed to be issued at no consideration if all outstanding options had been exercised.

Diluted loss per share for the six months ended 30 September 2001 is not presented as the exercise of the outstanding share options of the Company would have anti-dilutive effect.

7. 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 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Current to 30 days	1,093	3,164
31 to 60 days	170	612
61 to 90 days	848	564
Over 90 days	295	1,359
	2,406	5,699

8. OTHER LOAN

The loan was granted to a third party which is unsecured and carries interest at 3% per annum. The loan was fully repaid on 2 December 2002.

9. CASH AND BANK BALANCES

Included in cash and bank balances was an amount of HK\$19,984,000 (31 March 2002: HK\$16,610,000) which has been pledged as security for banking facilities granted to the Group.

10. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Current to 30 days	444	362
31 to 60 days	477	119
61 to 90 days	30	148
91 to 120 days	1,216	2,139
	2,167	2,768

11. LONG TERM LOANS

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Secured bank loans	104,000	135,000
Unsecured		
Other loans wholly repayable within five years	1,308	1,308
Loan from a minority shareholder	7,741	7,741
	<u>113,049</u>	<u>144,049</u>
Amount due within one year included under current liabilities	(9,500)	(8,500)
	<u>103,549</u>	<u>135,549</u>

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 2002 <i>HK\$</i>	As at 31 March 2002 <i>HK\$</i>	As at 30 September 2002 <i>HK\$</i>	As at 31 March 2002 <i>HK\$</i>
Within one year	9,500	8,500	–	–
In the second year	11,500	10,500	–	–
In the third to fifth year inclusive	42,250	40,750	–	–
After the fifth year	40,750	75,250	9,049	9,049
	<u>104,000</u>	<u>135,000</u>	<u>9,049</u>	<u>9,049</u>

12. SHORT TERM LOANS

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Secured		
Bank loan	11,321	9,435
Unsecured		
Other loan	48,764	57,400
	<u>60,085</u>	<u>66,835</u>

13. SHARE CAPITAL

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
<i>Authorised:</i>		
15,000,000,000 shares (31 March 2002: 7,500,000,000 shares) of HK\$0.02 each	300,000	150,000
<i>Issued and fully paid:</i>		
5,824,961,161 shares (31 March 2002: 3,883,307,441 shares) of HK\$0.02 each	116,499	77,666

- (a) During the period, the authorised capital of the Company has been increased from HK\$150,000,000 to HK\$300,000,000 by the creation of 7,500,000,000 additional shares of HK\$0.02 each.
- (b) On 12 April 2002, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share (the "Rights Issue"). Accordingly, the issued share capital of the Company has been increased from HK\$77,666,000 to HK\$116,499,000 by allotment of 1,941,653,720 new shares of HK\$0.02 each at a premium of HK\$0.03 per share. These new shares rank pari passu in all respect with the existing shares.
- (c) Share options
- (i) The Company have granted share options to the directors and employees of the Company and its subsidiaries pursuant to the share option schemes of the Company adopted on 24 July 1990 ("1990 Share Option Scheme") and 22 September 2000 ("2000 Share Option Scheme").

The 1990 Share Option Scheme has expired on 23 July 2000. Any share options which were granted under the 1990 Share Option Scheme are exercisable in accordance with the terms of the 1990 Share Option Scheme notwithstanding that the scheme period has expired. During the period, all outstanding share options granted under the 1990 Share Option Scheme lapsed upon expiry of the option period.

The Company has terminated the 2000 Share Option Scheme on 28 August 2002. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

At a special general meeting of the Company held on 28 August 2002, a new share option scheme was adopted in compliance with the new requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No share options have been granted under the new share option scheme.

Movements of share options granted under the 1990 Share Option Scheme and 2000 Share Option Scheme during the period were as follows:

Date of grant	Exercise price as at the date of grant HK\$	Exercise price as adjusted by the Rights Issue HK\$	Number of outstanding share options at 1 April 2002	Rights Issue adjustment	Granted during the period	Lapsed during the period	Number of
							outstanding share options at 30 September 2002
17 August 1999	0.5664	0.3776	55,000,000	27,500,000	-	(82,500,000)	-
2 May 2000	0.5328	0.3552	800,000	400,000	-	(1,200,000)	-
22 July 2000	0.3592	0.2395	6,000,000	3,000,000	-	(3,000,000)	6,000,000
16 November 2000	0.2328	0.1552	2,900,000	1,450,000	-	-	4,350,000
17 April 2002	0.0520	N/A	-	-	108,564,000	(3,904,000)	104,660,000
			64,700,000	32,350,000	108,564,000	(90,604,000)	115,010,000

No share options were exercised during the period.

- (ii) Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted on 4 February 2002 options to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. Such options are exercisable during the period from 4 February 2002 up to and including 31 December 2005 at the subscription prices of (i) HK\$0.15 per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK\$0.20 per share from 1 January 2005 up to and including 31 December 2005. None of such share options were exercised during the period.

14. COMMITMENTS

(a) Capital commitments

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Contracted but not provided for in respect of other investments	125,180	125,180

(b) Lease commitments

At 30 September 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Land and building Within one year	1,548	3,914

15. CONTINGENT LIABILITIES

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Guarantee in respect of credit facilities granted to a former associated company	86,000	86,000

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	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from an associated company (<i>note a</i>)	–	1,666
Income from services rendered to related companies (<i>note b</i>)	–	9,312
Services fee to a related company (<i>note c</i>)	1,158	–
Rental expenses to related companies (<i>note d</i>)	–	4,161
Reimbursement of rental and office administrative expenses from a related company (<i>note e</i>)	1,116	–
Interest expense to a related company (<i>note f</i>)	–	4,135
Portal development charge and facility management fee from a related company (<i>note g</i>)	–	791
	<u>–</u>	<u>791</u>

Notes:

- (a) The amount represents interest income in respect of amount due from a former associated company. The amount carries interest at 1.5% over the Hong Kong prime rate and has no fixed terms of repayment.
- (b) Services rendered to related companies are charged on prices and terms no less favourable than those charged to and contracted with other third party.
- (c) Services fee was charged for the provision of financial advisory services. The terms and prices were negotiated at arm's length basis.
- (d) Rental expenses were charged based at a fixed rate in accordance with the tenancy agreements.
- (e) The amount was charged for the provision of office space and sharing of office administrative expenses actually incurred. Rental expense was charged with reference to the market rental. Administrative expenses were reimbursed as actually incurred, taking into account the headcount and/or area occupied.
- (f) Interest expense was paid to a former related company of the Group in respect of a loan to the Group at 2% over the HIBOR in accordance with the loan agreement.
- (g) The portal development charge and facility management fee were charged at prices and terms no less favorable than those charged to and contracted with other third party customers.

17. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current period presentation.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

As at 30 September 2002, the Group had advances toward the affiliated companies in a total sum of HK\$176 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 as at 30 September 2002 are presented below:

	Unaudited pro-forma combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
ASSETS		
Non-current assets		
Intangible assets	11,942	2,388
Property, plant and equipment	40,752	8,150
	<u>52,694</u>	<u>10,538</u>
Current Assets		
Debtors, prepayments and other deposits	28,089	10,358
Amount due from affiliated companies	9,706	1,941
Cash and bank balances	6,773	1,355
	<u>44,568</u>	<u>13,654</u>
Current Liabilities		
Creditors, deposits and accruals	(20,177)	(8,775)
Current portion of long term loans	(10,430)	(2,086)
Amount due to immediate holding company	(308,361)	(154,180)
	<u>(338,968)</u>	<u>(165,041)</u>
Net current liabilities	<u>(294,400)</u>	<u>(151,387)</u>
Total assets less current liabilities	(241,706)	(140,849)
Non-current liabilities		
Long term loans	(83,041)	(16,609)
Net liabilities	<u>(324,747)</u>	<u>(157,458)</u>
CAPITAL AND RESERVES		
Share capital	45,426	9,085
Reserves	(370,173)	(166,543)
	<u>(324,747)</u>	<u>(157,458)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results analysis

Turnover

Turnover for the period amounted to HK\$16 million (2001: HK\$45 million). The decrease in turnover is mainly due to a reduction of the revenue after disposal of non-profitable IT business and a group of companies engaged in property investments last year.

Operating results

For the period under review, the Group recorded operating profit of approximately HK\$5 million as compared with a loss of approximately HK\$43 million for the last corresponding period. The profit from property investment for the period was HK\$5 million, reduced by 51% as compared with HK\$11 million in 2001 in light of sluggish property rental market. The loss from technology related services for the period has been significantly reduced by 93% to HK\$1 million.

The improvement in profit was due to disposal of the non-profitable IT business in Hong Kong, shifting the IT business from Hong Kong to the Mainland China and focusing on business streams that contribute higher profit margins. In addition, as a result of the Group's effective measures in controlling costs and increasing operational efficiency, the staff cost, depreciation and other operating cost has been significantly reduced by 78% to HK\$20 million after netting of certain provisions written back.

The continuation of economic downturn affected performance and valuation of companies within investment portfolio, comprising listed shares and hi-tech companies. The management continues to take conservative approach to assess the provision and written back of provision for particular investments within the portfolio. There was a net effect of approximately HK\$2 million provision written back for diminution in value of investments for the period.

Profit/(loss) attributable to shareholders

The Group achieved an unaudited consolidated profit of approximately HK\$1.6 million for the period as compared with a loss of approximately HK\$61 million for the last corresponding period.

Business review

In the first half of the financial year, NWCB focused its team's effort in developing business in the People's Republic of China (the "PRC") and had been making progress in shifting business from Hong Kong to the PRC. 45% of the turnover was contributed from the Mainland market compared with 21% for the last corresponding period.

ChinaQuest, a leading location based services ("LBS") technology and service provider, is one of NWCB's new business in the PRC. By using geographical information system ("GIS") and other technologies, the Group secured its position as a major player in providing digital city mapping and city information and a solutions provider in wireless LBS and Global Positioning System ("GPS") tracking systems. Key wins during the first half of the year

include Western Union, Guangdong Linke, Shanghai Runke and Shanghai Unicom. In addition, NWCB has successfully established a strategic alliance with Environmental System Research Institute, world's leading GIS technology company, to strengthen its solutions and technology in the area of GIS.

NWCB's Flagship LogicBase™ software products market continues to grow as a result of growing demand in Business Process Management ("BPM") solutions in the PRC. The recent launch of LogicBase™ Business Process Management for Java and LogicBase™ Process Management positioned NWCB as a key player in this sector. Major wins during this first half include Shanghai Airport Authority Construction and Development Company and Guangzhou MTR.

NWCB has strengthened its capability in providing industry solutions and with the recent strategic focus and investment in building capabilities in the Finance, Securities and Insurance ("FSI") sector. Progress has been made by capturing the growing opportunities in the FSI industry, e.g. securing an alliance with NCR/Teradata in winning the Shanghai Stock Exchange Datamart project, completing the SWIFT project for Agricultural Bank of China, and securing a major business process project with Bank of Communications.

Future Outlook

NWCB continues its focus on profitable growing business; despite the tough market condition and the slowdown in IT spending in the global market. NWCB believes there will be continued high growth opportunities in the IT sector in the PRC as information technology was highlighted during the 16th Party Congress as one of the key drivers for the economic growth of the country.

With the continuous geographic expansion of enterprises in the PRC market, it is expected that there will be a growing need of GIS related applications to support their expansion. Thus, NWCB believes further investment to secure ChinaQuest position in order to capture and secure market share in this sector.

With the past track record and recent wins, NWCB have successfully established itself in the emerging BPM market and will continue to build on its strength in the workflow industry.

In addition, NWCB continues to see a growing demand in IT services such as system integration and outsourcing services among large enterprises and entities and will leverage its successes to penetrate the FSI industry.

With the technology, customer base, track record, partners and staff to enable profitability growth, NWCB has confidence to establish a leading position in the IT services market in the PRC.

Financial resources

1. Liquidity and financial resources

As at 30 September 2002, the Group's shareholders' fund amounted to HK\$300 million (31 March 2002: HK\$204 million). Net asset value per share remains steady at HK\$0.05 per share.

During the period, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share and net proceeds of HK\$94 million has been raised for business expansion and working capital.

Apart from the rights issue exercise, the Group's funding was also derived from operations and revolving banking facilities provided by banks in Hong Kong and the Mainland China. Total net borrowings of the Group as at 30 September 2002 amounted to HK\$144 million (31 March 2002: HK\$187 million), of which HK\$40 million is payable within one year, HK\$12 million is payable in the second year, HK\$42 million is payable from third to fifth years and HK\$50 million is payable beyond the fifth year. As at 30 September 2002, the cash and bank balances were HK\$29 million (31 March 2002: HK\$23 million) and liquidity ratio was improved to 0.74:1 (31 March 2002: 0.31:1).

2. *Gearing*

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was reduced to 29% (31 March 2002: 41%).

3. *Interest risk exposure and foreign currency exposure*

Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate and fixed interest rates for PRC bank loan. The risk of the currency exposure would be immaterial as most borrowings were in Hong Kong dollar and Renminbi.

4. *Capital commitments*

As at 30 September 2002, capital commitments of the Group amounted to HK\$127 million (31 March 2002: HK\$129 million). These commitments comprised contracted commitments relating to uncalled portion of other investments totalling HK\$125 million (31 March 2002: HK\$125 million) and those future minimum lease payments relating to contracted operating lease commitment for rental premises amounting to HK\$2 million (31 March 2002: HK\$4 million).

5. *Contingent liabilities*

The contingent liabilities of the Group have not changed materially from those disclosed in 2002 annual report.

6. *Pledge of assets*

Investment properties with aggregate net book value of HK\$330 million (31 March 2002: HK\$330 million) and certain cash balances and deposit of HK\$20 million (31 March 2002: HK\$17 million) were pledged to banks as collaterals for general banking facilities.

Employees schemes

As at 30 September 2002, the Group employed over 120 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 IN SECURITIES

As at 30 September 2002, the interests of the Directors and chief executive of the Company in the shares of the Company, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

(a) Interest in shares

Name of director	Nature of interest	Number of shares
Lo Lin Shing, Simon	Corporate interest	1,600,419,388 (<i>Note</i>)

Note: These shares were beneficially owned by Best Cyber Limited, a wholly-owned subsidiary of Asia Logistics Technologies Limited, of which more than one-third of the issued share capital was owned by Golden Infinity Co., Ltd., a company beneficially and wholly owned by Mr. Lo Lin Shing, Simon.

(b) Interest in share options

Details of the Directors' interests in share options granted by the Company are set out in the section headed "Share Option Schemes" below.

Save as disclosed under the section headed "Share Option Schemes" below, none of the Directors or chief executive or their spouse or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, 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 of substantial shareholders kept by the Company under section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held
Best Cyber Limited	1,600,419,388
Asia Logistics Technologies Limited (<i>Note 1</i>)	1,600,419,388
Golden Infinity Co., Ltd. (<i>Notes 1 and 2</i>)	1,600,419,388

Notes:

- Best Cyber Limited was a wholly-owned subsidiary of Asia Logistics Technologies Limited, of which more than one-third of the issued share capital was owned by Golden Infinity Co., Ltd. Accordingly, Golden Infinity Co., Ltd. and Asia Logistics Technologies Limited were deemed to be interested in 1,600,419,388 shares held by Best Cyber Limited.
- Golden Infinity Co., Ltd. was beneficially and wholly owned by Mr. Lo Lin Shing, Simon, a Director.

SHARE OPTION SCHEMES

During the period, details of interests in and movement in share options granted by the Company pursuant to the share option schemes of the Company adopted on 24 July 1990 and 22 September 2000 are as follows:

	Date of grant	Vesting period (note 1)	Exercisable period	Exercise price		Number of shares subject to options				
				As at the date of grant	As adjusted by the Rights Issue	As at 1 April 2002	Rights Issue adjustment	Granted during the period	Lapsed during the period	As at 30 September 2002
				HK\$	HK\$		(note 2)	(notes 3 & 4)		
<i>Directors</i>										
Lo Lin Shing, Simon	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	25,000,000	12,500,000	-	(37,500,000)	-
Yvette Ong	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	5,000,000	2,500,000	-	(7,500,000)	-
	22-7-2000	22-7-2000 to 21-7-2002	22-7-2000 to 21-7-2003	0.3592	0.2395	4,000,000	2,000,000	-	-	6,000,000
	17-4-2002	17-4-2002 to 16-4-2004	17-4-2002 to 16-4-2009	0.0520	N/A	-	-	30,000,000	-	30,000,000
<i>Employees</i>										
(including directors of subsidiaries)	17-8-1999	17-8-1999 to 16-2-2002	17-8-1999 to 16-8-2002	0.5664	0.3776	25,000,000	12,500,000	-	(37,500,000)	-
	2-5-2000	2-5-2000 to 1-11-2002	2-5-2000 to 1-5-2003	0.5328	0.3552	800,000	400,000	-	(1,200,000)	-
	22-7-2000	22-7-2000 to 21-7-2002	22-7-2000 to 21-7-2003	0.3592	0.2395	2,000,000	1,000,000	-	(3,000,000)	-
	16-11-2000	16-11-2000 to 15-11-2002	16-11-2000 to 15-11-2007	0.2328	0.1552	2,900,000	1,450,000	-	-	4,350,000
	17-4-2002	17-4-2002 to 16-4-2004	17-4-2002 to 16-4-2009	0.0520	N/A	-	-	78,564,000	(3,904,000)	74,660,000
						<u>64,700,000</u>	<u>32,350,000</u>	<u>108,564,000</u>	<u>(90,604,000)</u>	<u>115,010,000</u>

Notes:

- The options are vested in tranches during the vesting period.
- During the period, the Company has completed the Rights Issue of 1,941,653,720 shares of HK\$0.02 each in the capital of the Company at HK\$0.05 per share on the basis of one rights share for every two existing shares held. Upon completion of the Rights Issue on 12 April 2002, the exercise price and the number of shares subject to the outstanding share options have been adjusted accordingly.
- The closing price of the shares of the Company on 16 April 2002 being the trading day immediately preceding the date of grant was HK\$0.052.
- The value of share options granted are not recognised in the accounts until they are exercised. The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

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 the unaudited interim accounts for the six months ended 30 September 2002.

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 during the six months ended 30 September 2002, 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, 12 December 2002