



浙江浙大網新蘭德科技股份有限公司
ZHEDA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

INTERIM REPORT

2002

* *for identification only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Zheda Lande Scitech Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB40,490,000 for the six months ended 30th June, 2002, representing an approximately 125% increase as compared with the turnover for the corresponding period in 2001
- Accomplished a net profit of approximately RMB5,070,000 for the six months ended 30th June, 2002, representing an approximately 144% increase as compared with the net profit for the corresponding period in 2001
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2002

The Board of Directors of Zheda Lande Scitech Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months and three months ended 30th June, 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30th June, 2002

	Notes	(unaudited)		(unaudited)	
		Six months ended		Three months ended	
		30th June,		30th June,	
		2002	2001	2002	2001
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	40,490	18,008	22,754	16,166
Cost of sales	3	(27,263)	(12,521)	(16,980)	(11,456)
Gross profit		13,227	5,487	5,774	4,710
Selling expenses		(2,188)	(1,037)	(1,132)	(529)
Research and developmnt costs		(1,150)	(450)	(395)	(300)
Administrative expenses		(3,402)	(1,576)	(1,711)	(733)
Other expenses (income)		(58)	(15)	(2)	23
Profit from operations	4	6,429	2,409	2,534	3,171
Finance income (costs), net		(371)	25	(68)	13
Loss from an associate		—	(62)	—	(62)
Profit before taxation		6,058	2,372	2,466	3,122
Taxation	5	(956)	(468)	(233)	(468)
Profit before minority interests		5,102	1,904	2,233	2,654
Minority interests		(32)	177	(84)	89
Net profit for the period		<u>5,070</u>	<u>2,081</u>	<u>2,149</u>	<u>2,743</u>
Earnings per share					
- Basic	8	<u>RMB0.019</u>	<u>RMB0.009</u>	<u>RMB0.009</u>	<u>RMB0.012</u>

There were no recognized gains or losses other than the net profit for the period.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2002

		(unaudited) 30th June, 2002 RMB'000	(audited) 31st December, 2001 RMB'000
	Notes		
Non-current assets			
Property, plant and equipment, net		2,494	2,758
Software		1,625	1,664
		<u>4,119</u>	<u>4,422</u>
Current assets			
Inventories, net		1,110	5,677
Accounts receivable, net	9	45,874	32,042
Prepayments and other current assets		20,832	9,173
Cash and cash equivalents		102,659	17,997
		<u>170,475</u>	<u>64,889</u>
Current liabilities			
Short-term bank loans		35,000	20,000
Accounts payable	10	4,626	2,240
Dividend payable		—	459
Advances from customers		5,110	5,880
Taxes payable		3,523	3,558
Accruals and other payables		2,849	924
		<u>51,108</u>	<u>33,061</u>
Net current assets		<u>119,367</u>	<u>31,828</u>
Deferred tax liabilities		—	(32)
Minority interests		438	(550)
Net assets		<u>123,924</u>	<u>35,668</u>
Owner's equity			
Share capital	11	33,958	22,745
Reserves		89,966	12,923
Total owners' equity		<u>123,924</u>	<u>35,668</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	(unaudited) (unaudited)	
	Six months ended	
	30th June,	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash outflow from operating activities	(11,200)	(17,249)
Net cash outflow from investing activities	(1,735)	(3,176)
	<hr/>	<hr/>
Net cash outflow before financing	(12,935)	(20,425)
Net cash inflow from financing	97,597	32,351
	<hr/>	<hr/>
Increase in cash and cash equivalents	84,662	11,926
Cash and cash equivalents at beginning of period	17,997	6,071
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>102,659</u>	<u>17,997</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Paid-in capital/share capital RMB'000	Capital surplus RMB'000	Reserves			Retained profits RMB'000	Total RMB'000
			Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Tax refund reserve RMB'000		
Balance as of							
1st January, 2001	500	—	346	227	1,434	1,120	3,627
Net profit	—	—	—	—	—	14,839	14,839
Appropriation from retained profits	—	—	1,306	1,306	295	(2,907)	—
Dividends	—	—	—	—	—	(459)	(459)
Increase of paid-in capital during the year	2,206	15,455	—	—	—	—	17,661
Capitalisation of tax refund reserve and retained profits	1,839	—	—	—	(115)	(1,724)	—
Capitalisation of paid-in capital and reserve	18,200	(15,455)	(346)	(227)	(1,614)	(558)	—
Balance as of							
31st December, 2001 (audited)	22,745	—	1,306	1,306	—	10,311	35,668
Net profit	—	—	—	—	—	5,070	5,070
Issue of H Shares under placement	11,213	87,491	—	—	—	—	98,704
Share issuing expenses	—	(15,518)	—	—	—	—	(15,518)
Balances as of							
30th June, 2002 (unaudited)	33,958	71,973	1,306	1,306	—	15,381	123,924

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2002

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 20th September, 2001 and its H shares were listed on the GEM on 3rd May, 2002, details of which are set out in the prospectus of the Company dated 24th April, 2002 (the "Prospectus").

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" published by the International Accounting Standards Board and the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Accountants' Report as set out in Appendix I of the Prospectus.

3. TURNOVER AND COST OF SALES

	(unaudited) Six months ended 30th June, 2002		(unaudited) Three months ended 30th June, 2002	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover				
Provision of telecommunications solutions	39,166	11,580	22,754	9,738
Trading of hardware	1,324	6,428	—	6,428
	<u>40,490</u>	<u>18,008</u>	<u>22,754</u>	<u>16,166</u>
Cost of sales				
Provision of telecommunications solutions	26,225	6,505	16,980	5,440
Trading of hardware	1,038	6,016	—	6,016
	<u>27,263</u>	<u>12,521</u>	<u>16,980</u>	<u>11,456</u>

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	(unaudited)		(unaudited)	
	Six months ended		Three months ended	
	30th June,		30th June,	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation on property, plant and equipment	129	126	26	69
Interest on borrowings	371	—	68	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. TAXATION

	(unaudited)		(unaudited)	
	Six months ended		Three months ended	
	30th June,		30th June,	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The charges comprises:				
PRC income tax	956	468	233	468
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company has been classified as an Advanced Technology Enterprise by the Scientific Technology Committee of Zhejiang Province. As an Advanced Technology Enterprise incorporated in the National Advanced Technology Industry Development Area in Hangzhou, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 15%.

The subsidiaries of the Company are subject to EIT at a rate of 33%.

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (2001: RMB459,000).

7. RESERVE MOVEMENTS

Other than those disclosed in the condensed consolidated statement of changes in owners' equity, there were no movements in reserves of the Group for the relevant periods in 2002 and 2001.

8. EARNING PER SHARES

Earnings per share have been computed by dividing net profit for the six months and three months ended 30th June, 2002 of approximately RMB5,070,000 and approximately RMB2,149,000 (2001: approximately RMB2,081,000 and approximately RMB2,743,000) by the weighted average number of shares of 265,860,000 shares (2001: 227,452,000 shares) and 238,609,000 shares (2001: 227,452,000 shares) as if the sub-division of the Company's shares as described in Appendix VI of the Prospectus had taken place at the beginning of the relevant periods.

No diluted earnings per share were presented for the six months and three months ended 30th June, 2002 and 2001 as there was no potential dilutive securities in existence during the relevant periods.

9. ACCOUNTS RECEIVABLE, NET

The Group generally gives credit term of 7 days to 20 days to the customers.

Aging of accounts receivable is as follows:

	(unaudited) 30th June, 2002 <i>RMB'000</i>	(audited) 31st December, 2001 <i>RMB'000</i>
Aging:		
- not exceeding three months	26,169	22,977
- more than three months but not exceeding six months	1,979	5,555
- more than six months but not exceeding nine months	17,726	1,194
- more than nine months but not exceeding one year	—	586
- more than one year but not exceeding two years	—	1,730
	<u>45,874</u>	<u>32,042</u>

10. ACCOUNTS PAYABLE

Aging of accounts payable is as follows:

	(unaudited) 30th June, 2002 <i>RMB'000</i>	(audited) 31st December, 2001 <i>RMB'000</i>
Aging:		
- not exceeding three months	2,227	2,240
- more than three months but not exceeding six months	2,399	—
	<u>4,626</u>	<u>2,240</u>

11. SHARE CAPITAL

Registered, issued and fully paid:

	Number of shares	Amount RMB'000
Domestic shares of RMB1.0 each at 1st January, 2001	22,745,200	22,745
Sub-division of domestic shares from RMB1.0 each into Rmb0.1 each	204,706,800	—
Issue of overseas listed foreign invested shares (“H Shares”) of RMB0.1 each upon listing on the GEM on 3rd May, 2002	<u>112,125,000</u>	<u>11,213</u>
	<u><u>339,577,000</u></u>	<u><u>33,958</u></u>

On 20th September, 2001, the Company was established in the PRC under the Company Law of PRC as a joint stock limited company with registered share capital of RMB22,745,000 divided into 22,745,000 domestic shares of RMB1.0 each.

At an extraordinary general meeting of the members of the Company held on 15th April, 2002, it was resolved that, among others, the 22,745,000 domestic shares in issue be sub-divided from par value of RMB1.0 each to RMB0.1 each, giving rise to 227,450,000 domestic shares of RMB0.1 each.

In May, 2002, the Company issues 112,125,000 H Shares of nominal value of RMB0.1 each for consideration of HK\$0.83 per H Share, and the H Shares were listed on the GEM.

The characteristics and rights of each of the domestic share and H Share were set out in the Prospectus.

As disclosed in the Prospectus, the Company intends to use the net proceeds from the new issue of shares to finance product enhancement and development, sales and marketing activities, acquisition of strategic investments and establishment of business collaboration and general working requirements.

12. SEGMENT INFORMATION

The Group is one business segment and one geographical location. Thus, no segment information is prepared.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. Review of operating results for the period

For the six months ended 30th June, 2002, the unaudited turnover is approximately RMB40,490,000, representing a growth of approximately RMB22,482,000, or approximately 125% increase in turnover as compared with that of the same period in 2001. For the three months ended 30th June, 2002, the unaudited turnover is approximately RMB22,754,000, representing a growth of approximately RMB6,588,000, or approximately 41% increase in turnover as compared with that of the same period in 2001.

The unaudited net profit of the Group for the six months and three months ended 30th June, 2002 is approximately RMB5,070,000 and RMB2,149,000 respectively.

2. Product development

During the period under review, there is significant advancement in the Group's telecom office automation ("OA") system. Products are further standardized and specific product versions are developed for China Unicom and China Mobile. In respect of the wireless valued-added systems, the Group has developed several new products such as "Magic Changes", "Shares Trading by Comparison", "FIFA2002 Short Message Quiz" and "Electronic Pets" etc. More resources have been devoted to the development of telecom CRM system. Test run of new product version has commenced at Shenzhen Unicom. The Group also co-operates with other companies to develop the telecom consolidated sales management system based on the Internet sales products. The Group also strengthens the development of the new version of broadband Internet operation system (OSSv2), which has reached the testing stage.

3. Marketing and business development

- The Group has achieved good results in marketing its products. The Group's telecom OA system has been promoted to Jiangxi Mobile and Zhejiang Mobile. Test run of new product version has commenced at Shenzhen Unicom. In respect of the broadband operation and billing system, the Group has commenced effective co-operation with China Netcom and has obtained orders in Ningbo, Xiaoshan and Dalian. The marketing of the wireless value-added products is also satisfactory.

- During the period under review, the Group has put significant effort to refine its marketing organization and establishes a more effective and efficient marketing channel. The Group divides the national market into five major areas, namely “East”, “South”, “North”, “Central” and “South West”. Branch offices/regional managers are established/appointed to take charge of the marketing and business development activities of the respective region. The branches/regional managers are technically supported by the product general manager in headquarter, pre-sales engineer and top management of the Group.
- The Group continues to maintain good working relationship with reputable international IT practitioners. The Group has commenced co-operation with IBM in the area of e-commerce, customer service, wireless application and decision support, following the granting of “SP” qualification by Shanghai IBM. The Group also commences the development of various value-added application products (including the mobile office), which is based on IPAQ and mobile telecommunication, for China Mobile and China Unicom jointly with Shanghai Compaq.

4. Employees information

- As at 30th June, 2002, the Group has 211 employees in total.
- The Group employs the target remuneration system. Each employee will be assigned an achievement target in accordance with the ability of respective employee, which will in turn form the base to determine his/her annual target remuneration. Staff appraisal will be carried out quarterly. If the employee fails to meet the target, his/her remuneration will be cut accordingly. If the employee’s performance is above the target, his/her salary will be increased accordingly. If the employee’s performance is always above the target, his/her annual target remuneration will be revised upward accordingly. Through the quarterly staff appraisals and corresponding salary adjustments, the employees’s income is directly linked to their work performance. The employees will have incentives to improve their performance and the Group can secure its achievement target. The Group believes that the target remuneration system fully addresses the aspect of human assets employments in high technology enterprises and is in a leading position in the industry.
- The Group has not issued any share options or has any bonus plan.

- In order to improve the technical and managerial knowledge of the staffs, so as to explore the development potentials of the staffs and to strengthen their sense of belonging, the Group strives to provide new trainings to its staffs. During the first half of the year, the Group has organized a comprehensive “New Staff Training Course” for new staffs. The Groups has provided a series of outsourced training programs for its technical staffs, which including “WEBLOGIC”, “Internet Securities and Defense Technique”, “Documents Labeling Reform and e-Document Management”, “ISO9001-2000 Quality Management System”, “NOPOWER Technology”, “Software Development Management and Outsourcing”, “EMC products”, “SOLARIS System Management”, “LDAP” and related software development technologies. The Group also organized the “LOTUS Application Training” for its technical staffs. The Group also organized the training courses of “Practical Contract Laws” and “Target Management and Group Spirit” for its marketing staffs and management team respectively.

FINANCIAL REVIEW

- The Group has maintained sound financial conditions. For the six months ended 30th June, 2002, the Group was mainly financed by funds generated from operations and the proceeds from issue and listing of new shares on GEM.
- As at 30th June, 2002, the Group’s cash and bank balances amounted to approximately RMB102,659,000 (31st December, 2001: RMB17,997,000).
- As at 30th June, 2002, the Group had outstanding short term borrowings amounted to RMB35,000,000 (31st December, 2001: RM20,000,000), which bearing interest at an average rate of 4.605% (31st December, 2001: 6.435%).
- As at 30th June, 2002, the Group had a total asset value of approximately RMB174,594,000 (31st December, 2001: RMB69,311,000).
- As at 30th June, 2002, the Group had current liabilities of approximately RMB51,108,000 (31st December, 2001: RMB33,061,000).
- As at 30th June, 2002, the Group had shareholders’ equity of approximately RMB123,924,000 (31st December, 2001: RMB35,668,000).
- As at 30th June, 2002, the Group had minority interests of approximately –RMB438,000 (31st December, 2001: RMB550,000).

- As at 30th June, 2002, the Group had a gearing ratio of approximately 29% (31st December, 2001: 48%).
- As at 30th June, 2002, the Group had a net current asset ratio of approximately 30% (31st December, 2001: 51%).
- Since substantially all of the Group's revenue is in Reminbi and its expenses are paid in Reminbi, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.
- During the period under review, the Group had not acquired or disposed of any subsidiaries or associated companies.
- During the period under review, the Group did not held any significant investments.
- At 30th June, 2002, the Group's assets have not been pledged (31st December, 2001: nil).
- As at 30th June, 2002, the Group had no contingent liabilities (31st December, 2001: nil).

FUTURE PROSPECTS

1. Orders in hand

The Group has orders in hand amounting to approximately RMB30,000,000. Certain orders, such as orders from Guangxi Unicom and Hubei Unicom, has been initialed but not yet signed as the respective customers are still going through their own internal approval procedures. For the rest of orders, agreements have been reached with customers and the chance of failure is slim.

2. Prospects of new business and new products

- e-commerce system: The e-commerce system can provide various Internet services and value-added services for telecommunications business, so as to improve the customer support service of telecommunication operators and enhance their competitiveness in the telecommunication markets. Commencing this year, China Unicom starts to set up e-commerce platform systems in various provinces and cities. During the first half of the year, the Group had obtained related orders from Zhejiang Unicom and Shanghai Unicom. The Group is negotiating contracts with Hubei Unicom and Guangxi Unicom. The Directors believe that the Group will obtain more orders in the second half of the year when the construction project of China Unicom reaches its peak.
- In line with the increase in investment in telecom OA systems by China Unicom and China Mobile, and also the opportunities of reconstruction of the systems brought about by the splitting of China Telecom into New China Telecom and China Netcom, the market size will inevitably increase. In the second half of the year, the Group will further increase its effort in marketing and launch new telecom OA systems specifically for China Telecom. In the mean time, the Group is also developing various value-added application products (including the mobile office), which is based on IPAQ and mobile telecommunication, for China Mobile and China Unicom jointly with Shanghai Compaq and break-through in this aspect is expected.
- As CRM systems become more recognized among the telecommunications operators, the Group will make good use of the opportunities and experience brought about by the testing in Shenzhen to speed up the research and development for CRM products.
- In respect of wireless value-added products and operation systems, in order to cope with market demand, the Group will continue to launch short message based games. The Group will also invest more human resources to speed up the research of new technology and development of new products relating to CTI technology and application of call centers.
- New version of the Internet broadband operation support system will soon pass testing and will be launched into the market. The Group will put more resources in the development of broadband (including wireless broadband) value-added applications.
- The Group will put more resources in the area of technical services with an aim to increase revenue generated from provision of technical service.

3. New investment projects and source of funding

The Group is planning for two investment plans, which had been approved by the Board. The first one is Hangzhou New Easy Software Co. Ltd. (“New Easy”). New Easy is a high technology company principally engaged in the development and distribution of e-government systems and OA systems. New Easy has developed a series of own products and holds the intellectual property right of “New Easy OA system V2.0 (short named as New Esay OA)” (Ruan Zhu Deng Zhi No. 0013109). Following the rapid increase in demand for e-government systems and OA systems in the country, the market potentials for New Easy is tremendous. Acquisition of New Easy will help to extend the Group’s products to government bodies, news media and companies of other businesses and hence increase the profit of the Group. The other investment plan is to set up Guangzhou Landi Electronic Information Technology Co. Ltd., an equity joint venture, jointly with Guangxi Nanming Fei Shi Tong Company (“Fei Shi Tong”). Fei Shi Tong has good business relationship with telecom operators in Guzangxi and Shenzhen and will help the Group to explore the market in the south-west region of the country, which is expected to form the base of national wise promotion.

The Group also intends to invest US\$408,000 to set up a sino-foreign joint venture with Microtech Group Inc. (“Microtech”). Microtech is an IT company incorporated in Silicon Valley of USA with over sixteen years of operating track record. Microtech is based on Chinese students and is principally engaged in the provision of management consulting, feasibility study and management solutions for enterprises. Microtech also provides its customers with system analysis, feasibility study, system design, development and integration and support in respect of SAP software. The new joint venture company will be principally engaged in the provision of management consulting and solutions to local and foreign customers; supply, installation, implementation, training and support of SAP3/R software; conduction of research and development activities, sales of new generation ERP software. Leveraging on the success of the Group in the telecom industry of China and the solid experience in telecom OA systems, the new joint venture company will first base on the Chinese telecom industry and expand gradually into other industries. This investment plan will enhance the advancement and promotion of the Group’s telecom OA systems and further increase the earning power of the Group.

The proposed investments will be financed internally from the proceeds on new issue of shares.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary comparison of the actual business progress for the period from 15th April, 2002, being the latest practicable date prior to the printing of the Prospectus to 30th June, 2002 (the "Review Period").

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Product enhancement and development		
<i>Data communication solutions</i>	Enhance the quality of the wireless communication system on the UNIX OS platform	The wireless communication system, which is based on SOLARS operating system on SUN platform, has passed the testing stage
	Enhance the quality of the data switch platform that supports CTI, IVR	Completed
	Launch enhanced version of a wireless value-added system that is compatible with the data switch platform	Have been launched and used by a number of customers
	Release a large capacity e-mail system prototype that is compatible with various multi-medium	Products with short message, voice mail have been launched and used by customers
	Develop a video-conferencing enabling system	The development has been postponed to in line with the market changes

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
<i>Teleom operation supports solutions</i>	Develop a standardized telecom OA system	The product has been developed successfully and will be used in Zhejiang Mobile as an example project
	Enhance the quality of the Internet traffic, monitoring and billing system	Have completed the upgrade of monitoring and billing system, broadband OSSv2 is at the development testing stage and is estimated to be completed by the end of August
	Launch an online telecom e-commerce system to serve as a more efficient billing and operation platform	Have been launched and used by a number of branch offices of China Unicom

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Sales and marketing		
<i>Data communication solutions</i>	Conduct direct sales activities at every provincial telecommunications companies	Have carried out direct sales activities in about 20 provinces and cities, have established Beijing and Hubei branch offices and appointed regional managers
	Establish joint sales efforts with other domestic wireless communication system providers	Postponed to second half of the year
	Launch major marketing campaigns on wireless value-added systems	Postponed to second half of the year
	Practise bundled selling technique	The Group launched a series of bundled solution such as wireless value-added system and email system etc. and is widely accepted by customers

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
<i>Teleom operation supports solutions</i>	Conduct direct sales activities at most provincial telecommunications companies	Have carried out direct sales activities in about 20 provinces and cities, have established Beijing and Hubei branch offices and appointed regional managers
	Promote a variety of telecom OA systems	Promoted to telecom operators around the country through the monthly magazine of the Group
	Promote integrated telecom operation solutions	Have been undergoing direct promotion by the marketing team

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Strategic investments and business collaborations		
<i>Data communication solutions</i>	<p>Establish joint-sales efforts with other domestic wireless communication system providers</p> <p>Strengthen the relationship with Zhejiang University in respect of the sourcing of technical human resources and developing telecommunications software</p>	<p>The Group has commenced co-operation with IBM in the area of e-commerce, customer service, wireless application and decision support, following the granting of “SP” qualification by Shanghai IBM</p> <p>Have introduced certain staffs from Zhejinag University, the R & D center continues to contribute its R & D results to the Group</p>
<i>Teleom operation supports solutions</i>	<p>Establish strategic alliances with suppliers to promote the sale of broadband Internet CRM systems</p>	<p>Postponed to second half of the year</p>

Employment of human resources

Number of employees

Management	10	10
Research and product development	135	150
Sales and marketing	25	31
Administration and finance	20	20
	<u>190</u>	<u>211</u>
	<u>190</u>	<u>211</u>
	<i>RMB'000</i>	<i>RMB'000</i>

Use of proceeds

Product enhancement and development	3,300	3,380
Sales and marketing	3,200	3,100
Strategic investments and business collaboration	6,000	5,000
General working capital	800	900
	<u>13,300</u>	<u>12,380</u>
	<u>13,300</u>	<u>12,380</u>

DEVIATION BETWEEN THE BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS AND THE ACTUAL BUSINESS PROGRESS FOR THE REVIEW PERIOD

- To cope with market demand for large capacity systems, the Group has upgraded the wireless communication system from the UNIX OS platform version to work-station version.
- In accordance with the changes in market conditions, the development of video-conferencing enabling system has been postponed.
- The business objectives as stated in the Prospectus was based on the best estimation of the market conditions made by the Directors at the time of preparing the Prospectus. In accordance with the actual development of the market, the Group has made corresponding amendments or modifications to its business objectives. Certain activities of the Group, such as establishing joint sales efforts with other domestic wireless communication system providers, launching major marketing campaigns on wireless value-added systems and establishing strategic alliances with suppliers to promote the sale of broadband Internet CRM systems, will be delayed to the second half of the year. This led to the deviations between the business objectives as set out in the Prospectus and the actual business progress for the Review Period.

- The positive deviation in staff number is mainly attributable to the increase in head counts in the marketing and R & D departments, which is a result of adjustments to marketing strategy of the Group and the development of new products.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th June, 2002, except for those shares as set out below, none of the Directors and the Supervisors of the Company or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as recorded in the register required to be kept under section 29 of the aforementioned ordinance.

The beneficial interests of the Directors and Supervisors in the share capital of the Company are as follows:

Name	Type of interests	Number of shares	Percentage of deemed beneficial interests in the Company's share capital immediately after the Listing
<i>Directors</i>			
Chen Ping	Personal	36,392,320	10.72%
Bao Shu Xin	Personal	8,643,170	2.55%
Chen Chun	Personal	4,094,130	1.21%

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the six months ended 30th June, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th June, 2002, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principal terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in the Prospectus. Up to 30th June, 2002, no option has been granted pursuant to such share option scheme.

SUSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 30th June, 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital:

Shareholder	Number of shares	Percentage of beneficial interests in the Company's share capital immediately after the Listing
Zhejiang Qware Information Technology Investment & Consulting Company Limited	34,117,800	10.05%
Beijing Guoheng High Technology Holding Co., Ltd.	34,117,800	10.05%
Zhejiang University Innovation Information Holdings Company Limited	34,117,800	10.05%

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"), neither Core Pacific - Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 24th April, 2002 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 25th April, 2002 to 31st December, 2004 or until the sponsor agreement is terminated pursuant to the terms and conditions set out therein.

AUDIT COMMITTEE

The Company established an audit committee in November, 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Mr. Zhang De Xin and Mr. Cai Xiao Fu with Mr. Cai Xiao Fu as the chairman.

The condensed interim financial statements for the six months ended 30th June, 2002 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

BOARD PRACTICES AND PROCEDURES

Since its listing on the GEM on 3rd May, 2002, the Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2002.

On behalf of the Board
Chen Ping
Chairman

13th August, 2002, Hangzhou, the PRC