



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 2003

** for identification purpose 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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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors of Zheda Lande Scitech Limited (the “Company”) 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 the Company. The directors of the Company, 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 RMB46,825,000 for the six months ended 30th June, 2003, representing an approximately 15.6% increase as compared with the turnover for the corresponding period in 2002
- Accomplished a net profit of approximately RMB6,212,000 for the six months ended 30th June, 2003, representing an approximately 22.5% increase as compared with the net profit for the corresponding period in 2002
- The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2003

The Board of Directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003.

2003 INTERIM RESULTS

For the six months ended 30th June, 2003, the Group recorded an unaudited turnover of approximately RMB46,825,000 (2002: RMB40,490,000), representing a growth of approximately RMB6,335,000, or approximately 15.6%, as compared with the turnover of the same period in 2002.

For the six months ended 30th June, 2003, the Group recorded an unaudited net profit of approximately RMB6,212,000 (2002: RMB5,070,000), representing a growth of approximately RMB1,142,000, or approximately 22.5%, as compared with the operating results of the same period in 2002.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2003 (2002: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30th June, 2003 together with the comparative figures for the relevant periods in 2002 are set out below.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30th June, 2003

	Notes	(unaudited) Six months ended 30th June,		(unaudited) Three months ended 30th June,	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Sales, net	3	46,825	40,490	24,725	22,754
Cost of sales	3	(30,854)	(27,263)	(14,964)	(16,980)
Gross profit		15,971	13,227	9,761	5,774
Distribution costs		(4,268)	(2,188)	(2,583)	(1,132)
Administrative expenses		(8,538)	(4,552)	(4,659)	(2,106)
Other operating income (expenses)		69	(58)	(1)	(2)
Profit from operations	4	3,234	6,429	2,518	2,534
Finance costs, net		(618)	(371)	(485)	(68)
Value added tax refund		4,238	–	1,485	–
Profit before tax and minority interests		6,854	6,058	3,518	2,466
Income tax expense	5	(717)	(956)	(109)	(233)
Profit before minority interests		6,137	5,102	3,409	2,233
Minority interests		75	(32)	72	(84)
Net profit		<u>6,212</u>	<u>5,070</u>	<u>3,481</u>	<u>2,149</u>
Earnings per share – Basic	8	<u>RMB0.018</u>	<u>RMB0.019</u>	<u>RMB0.010</u>	<u>RMB0.009</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2003

		(unaudited) 30th June, 2003 RMB'000	(audited) 31st December, 2002 RMB'000
Non-current assets			
Property, plant and equipment		7,194	6,386
Intangible assets		7,213	5,904
Investment in an associate		–	–
Other assets		4,163	1,714
		<u>18,570</u>	<u>14,004</u>
Current assets			
Inventories		25,420	9,954
Prepayments and other receivables		97,555	32,934
Due from related parties	9	7,520	13,247
Trade receivable	10	65,510	61,203
Cash on hand and bank deposits		68,137	62,497
		<u>264,142</u>	<u>179,835</u>
Current liabilities			
Other payables and accruals		14,955	3,092
Current tax liabilities		(1,806)	6,809
Advances from customers		21,041	14,770
Notes payable and trade payables	11	40,122	24,621
Short-term bank loans, unsecured		65,000	10,000
		<u>139,312</u>	<u>59,292</u>
Net current assets		<u>124,830</u>	<u>120,543</u>
Total assets less current liabilities		143,400	134,547
Deferred tax liabilities		(176)	–
Minority interests		(6,623)	(4,158)
Net assets		<u>136,601</u>	<u>130,389</u>
Owner's equity			
Paid-in/share capital		33,958	33,958
Reserves	7	102,643	96,431
Total shareholders' equity		<u>136,601</u>	<u>130,389</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	(unaudited) Six months ended 30th June, 2003 RMB'000	(unaudited) 2002 RMB'000
Net cash from (used in) operating activities	1,320	(11,200)
Net cash used in investing activities	(2,180)	(1,735)
Net cash from financing activities	6,500	97,597
Net increase in cash and cash equivalents	5,640	84,662
Cash and cash equivalents, beginning of period	62,497	17,997
Cash and cash equivalents, end of period	68,137	102,659

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY*For the six month ended 30th June, 2003*

	Paid-in capital/share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as of 1st January, 2002	22,745	–	1,306	1,306	–	10,311	35,668
Net profit	–	–	–	–	–	2,921	2,921
Balance as of 31st March, 2002	22,745	–	1,306	1,306	–	13,232	38,589
Placement of H shares	11,213	71,972	–	–	–	–	83,185
Net profit	–	–	–	–	–	2,149	2,149
Balance as of 30 June, 2002	<u>33,958</u>	<u>71,972</u>	<u>1,306</u>	<u>1,306</u>	<u>–</u>	<u>15,381</u>	<u>123,923</u>
Balance as of 1st January, 2003	33,958	71,972	2,677	1,991	16	19,775	130,389
Net profit	–	–	–	–	–	2,731	2,731
Balance as of 31st March, 2003	33,958	71,972	2,677	1,991	16	22,506	133,120
Net profit	–	–	–	–	–	3,481	3,481
Balance as of 30 June, 2003	<u>33,958</u>	<u>71,972</u>	<u>2,677</u>	<u>1,991</u>	<u>16</u>	<u>25,987</u>	<u>136,601</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

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 Financial Reporting Standard 34 "Interim Financial Reporting" published by the International Accounting Standards Board and the applicable disclosure requirements of Chapter 18 of 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 annual financial statements of the Group for the year ended 31st December, 2002.

3. TURNOVER AND COST OF SALES

	(unaudited) Six months ended 30th June,		(unaudited) Three months ended 30th June,	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Sales, net				
Provision of telecommunications solutions				
– System integration	21,570	39,166	8,880	22,754
– Sales of self-developed software	16,177	–	11,049	–
	<u>37,747</u>	39,166	<u>19,929</u>	22,754
Trading of hardware	<u>9,078</u>	1,324	<u>4,796</u>	–
	<u>46,825</u>	<u>40,490</u>	<u>24,725</u>	<u>22,754</u>
Cost of sales				
Provision of telecommunications solutions				
– System integration	17,868	26,225	7,370	16,980
– Sales of self-developed software	4,816	–	3,278	–
	<u>22,684</u>	26,225	<u>10,648</u>	16,980
Trading of hardware	<u>8,170</u>	1,038	<u>4,316</u>	–
	<u>30,854</u>	<u>27,263</u>	<u>14,964</u>	<u>16,980</u>

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	(unaudited) Six months ended 30th June,		(unaudited) Three months ended 30th June,	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Depreciation	544	129	285	26
Interest expenses	1,040	371	734	68

5. INCOME TAX EXPENSE

	(unaudited) Six months ended 30th June,		(unaudited) Three months ended 30th June,	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
The charges comprises:				
PRC income tax	717	956	109	233

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 rates ranging from 0–33% in accordance with respective local tax laws and regulations.

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2003 (2002: Nil).

7. RESERVES

Other than those disclosed in the condensed statement of changes in shareholders' equity, there were no movements in reserves of the Group for the relevant periods in 2003 and 2002.

8. EARNINGS PER SHARE

Earnings per share have been computed by dividing net profit for the six months and three months ended 30th June, 2003 of approximately RMB6,212,000 and approximately RMB3,481,000 (2002: approximately RMB5,070,000 and approximately RMB2,149,000) by number of 339,577,000 shares (2002: weighted average number of 265,860,000 shares) and 339,577,000 shares (2002: weighted average number of 238,609,000 shares) in issue 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, 2003 and 2002 as there was no potential dilutive securities in existence during the relevant periods.

9. DUE FROM RELATED PARTIES

	(unaudited) 30th June, 2003 RMB'000	(audited) 31st December, 2002 RMB'000
Hefei Zhengxun Wireless Communication Service Centre	5,726	11,453
Shanghai Harbour Tele-communication Technology Company Ltd.	1,366	1,366
Other	428	428
	<u>7,520</u>	<u>13,247</u>

The above-named companies are minority shareholders of the subsidiaries of the Company. The amounts due are unsecured, non-interest bearing and without fixed repayment terms.

10. TRADE RECEIVABLE

No special credit term is granted to the customers by the Group.

Aging of trade receivable is as follows:

	(unaudited) 30th June, 2003 RMB'000	(audited) 31st December, 2002 RMB'000
Aging:		
– not exceeding one year	64,250	55,817
– more than one year but not exceeding two years	3,695	7,191
– more than two years but not exceeding three years	493	703
– more than three years	889	1,309
	<u>69,327</u>	<u>65,020</u>
Less: provision for bad and doubtful debts	(3,817)	(3,817)
	<u>65,510</u>	<u>61,203</u>

11. NOTES PAYABLE AND TRADE PAYABLES

The Group's notes payable and trade payables are all aged less than one year.

12. SEGMENT INFORMATION

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

13. CONTINGENT LIABILITIES

As at 30th June, 2003, the Group has no material contingent liabilities (2002: discounted notes of RMB25,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. Review of operating results for the period

For the six months ended 30th June, 2003, the unaudited turnover is approximately RMB46,825,000, representing a growth of approximately RMB6,335,000, or approximately 15.6% increase in turnover as compared with that of the same period in 2002. For the three months ended 30th June, 2003, the unaudited turnover is approximately RMB24,725,000, representing a growth of approximately RMB1,971,000, or approximately 8.7% increase in turnover as compared with that of the same period in 2002.

The unaudited net profit of the Group for the six months and three months ended 30th June, 2003 is approximately RMB6,212,000 and RMB3,481,000 respectively.

2. Product development

- During the report period, the Group had further intensified the research and development of products related to the telecommunication industry and had consolidated the development of the information unification platform. At the same time, the product department had actively co-operated with China Telecom to speed up the promotion of the Group's products within the China Telecom.
- During the report period, the Group had further increased the resources deployed to the telecom operation support platform and had established the telecom support system branch company. The Group had launched the "Telescope" series of products to the telecommunication industry, namely Telescope web-based sales system (the Web-based Sales Office), Telescope integrated customer service system, Telescope customer management system, Telescope SLA management system, Telescope operation analysis system, Telescope integrated sales management system, Telescope production scheduling system and Telescope resources allocation management system.
- During the report period, the Group established the Lande Research Academy which is responsible for development of new products. Lande Research Academy has a telecom value-added business research and development center for technology research and product development of the valued-added business, which will concentrate on the Brew platform, basic application of the Kjava platform and value-added service technology. At the same time, the Group had also gradually increase the research and development of core products for the telecom enterprises.

3. Marketing and business development

- During the first half of 2003, the Group had signed the contracts for the integrated customer service system of the North China Division of China Telecom, application carrying platform of the North China Division of China Telecom, sizable customer system of Gan Su Telecom, information unification platform of Gui Zhou Mobile, e-government system of Rui An Municipal Government and provincial document handling system for the Health Department of Zhejiang Province. At the same time, the information unification systems and enterprise information management

systems for China Unicom in various provinces had been gradually initiated. The Group had also set up Guangdong Lande Company to explore the market for the e-government solutions.

- During the report period, the Group had further solidified and smoothed its distribution channel and explored new business across the five major regions: the eastern region, the southern region, the northern region, the central region and the south-western north-western region. The headquarter of the Group provides technical support and high-level resources support to the five major regions.

4. Strategic investment and business collaborations of the Group

- During the report period, the Group continued to maintain good co-operation with IBM. Besides, the Group had entered into a core co-operation agreement with Hua Wei Company, a leading company in the industry, and became its authorized senior dealer. Both parties had agreed to co-operate, share resources and to jointly develop the internet market in Zhejiang.
- During the report period, the Group had invested RMB2 million and established, jointly with four individuals including Yang Dong, Guangdong Lande Scitech Development Limited to explore market for the e-government solutions.
- During the report period, the Group increased the investment in Hangzhou Lande Xinyi Information Technology Company Ltd. ("Lande Xinyi"). The Group had further invested RMB3 million, thereby increased the registered capital of Lande Xinyi to RMB5 million. Lande Xinyi had also changed its name to Zhejiang Lande Xinyi Information Technology Company Ltd. By doing so, the Group intends to increase the competitiveness of Lande Xinyi.
- During the report period, the Group had successfully took over the system integration department of Fu Dan Communications Limited and reformed it into communication product department of the Group, which will concentrate in the area of internet communication system integration and valued-added service.
- Zhejiang Lande Zong Heng Internet Technology Limited, a subsidiary of the Group, had acquired Hangzhou Lang Ge Scitech Limited and took over its brilliant working team. By doing so, the Group intends to strengthen its development and operation management of mobile public phone and system integration business.

5. Employees information

- During the report period, the Group absorbed and brought in a number of technology experts and brilliant management personnel to strengthen various product lines of the Group. As at 30th June, 2003, the Group has a total of 348 (2002: 211) employees. The total staff costs incurred by the Group during the report period amounted to approximately RMB3,822,000 (2002: RMB2,382,000).
- The Group continues to provide training opportunities to its staffs so as to improve the technical and managerial knowledge of the staffs.
- The Group has not issued any share options or has any bonus plan.

FINANCIAL REVIEW

- The Group has maintained sound financial conditions. For the six months ended 30th June, 2003, the Group was mainly financed by funds generated from operations, bank loans and the proceeds from issue and listing of new shares on GEM.
- As at 30th June, 2003, the Group's cash and bank balances amounted to approximately RMB68,137,000 (31st December, 2002: RMB62,497,000).
- As at 30th June, 2003, the Group had outstanding short term bank borrowings amounted to RMB65,000,000 (31st December, 2002: RM10,000,000), which bearing interest at an average rate of 5.166% (31st December, 2002: 4.779%). The increase in bank borrowings is to finance the expansion in scale of operation of the Group.
- As at 30th June, 2003, the Group had a total asset value of approximately RMB282,712,000 (31st December, 2002: RM193,839,000). The increase in total assets of the Group is mainly attributable to the increase in current assets, which is the result of expansion in scale of operation of the Group.
- As at 30th June, 2003, the Group had current liabilities of approximately RMB139,312,000 (31st December, 2002: RM59,292,000). The increase in current liabilities is due to the expansion in scale of operation of the Group.
- As at 30th June, 2003, the Group had shareholders' equity of approximately RMB136,601,000 (31st December, 2002: RMB130,389,000).
- As at 30th June, 2003, the Group had minority interests of approximately RMB6,623,000 (31st December, 2002: RMB4,158,000).
- As at 30th June, 2003, the Group had a gearing ratio, which is the ratio of liabilities to total assets, of approximately 49% (31st December, 2002: 31%).
- As at 30th June, 2003, the Group had a net current asset ratio, which is the ratio of current assets to current liabilities, of approximately 53% (31st December, 2002: 33%).
- 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.
- As at 30th June, 2003, the Group had no material investments (31st December, 2002: Nil).
- As at 30th June, 2003, the Group had no material contingent liabilities (31st December, 2002: discounted notes of RMB25,000,000).
- As at 30th June, 2003, there were no charges on the assets of the Group (31st December, 2002: Nil).

FUTURE PROSPECTS

1. Orders in hand

The Group has orders in hand amounting to approximately RMB49,000,000. Major contracts include enterprise information systems for Guangxi Unicom, Anhui Unicom, Jiangxi Unicom and Northern China Division of China Telecom, the Third Phase operation support system for Northern China Division of China Telecom, BPR for China Telecom Group Company, major customer system for Yunnan Telecom, IC card sales analysis system for China Netcom headquarter and CRM system for China Unicom headquarter.

2. Prospects of new business and new products

- e-commerce system: Along with China Unicom's commitment in the establishment of e-commerce platform systems across the provinces and cities, construction work has gradually commenced. Following the peak of the construction work of China Unicom, the Group will obtain more orders. The Group's products will improve the customer support service of telecom operators, provide all sorts of internet service and valued-added service to various telecom business and increase the market competitiveness of telecom operators.
- The Group will greatly develop operation system for the core business of the telecommunication industry, which comprises mainly information management product group (as represented by enterprise information system and information unification system) and core business support product group (as represented by Telescope product series). At the same time, the Group will greatly develop the business of e-government and valued-added services for the telecommunication industry.
- In the area of wireless value-added service product group and wireless value-added operation, the Group will keep on providing short message based game products in accordance with the needs of the market.
- The Group's telecommunication product department is specialized in internet telecom system integration and valued-added service. This department is a hardware and software product system integration service provider with strong technical strength and is able to provide tailor-made total solution and construction services to customers. It also possesses the technical ability for the implementation of special telecommunication system, securities and monitoring system, multimedia and video conference system, providing total solution for internet telecom technology to customers which includes consultancy, overall solution design, project management and implementation as well as equipment maintenance and technical support after the commencement of system operation.
- The Group will also intensify the investment in technical service to increase the income generated in this area.

3. New investment projects and source of funding

The Group intends to invest in the area of wireless value-added service. The Group will also seek for suitable acquisition targets to consolidate the existing effective resources in the market in order to diversify the income stream of the Group. However, the Group does not have any concrete investment plan at present.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary comparison of the actual business progress for the period from 1st January, 2003 to 30th June, 2003 (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>	Upgrade the wireless communication system to version 2.0	Completed
	Conduct R & D on an enhanced gateway link based a more advanced wireless communication standard	Completed
	Launch an intergrated data system	R & D work of the product has been completed. Products have been promoted to Qing Hai Unicoms and provincial telecom operators such as Nei Mongol.
	Release the prototype of a mobile-based e-mail management system	Completed and is in the process of testing. Products have been successfully promoted to provincial telecom operators such as Zhejiang Unicom.
<i>Teleom operation supports solutions</i>	Develop CRM capability in the telecom OA system	R & D work of the product has been preliminary completed. The test version of the product has been launched.
	Launch a residential network management system	Completed and have been put in use. Products have been promoted to Northern China Division of China Telecom.
	Launch an integrated online telecom management system to provide telecom operators with an effective e-commerce platform	Have been launched and used by a number of provinces.

Business objectives for the Review Period as set out in the Prospectus

Actual business progress for the Review Period

Sales and marketing

Data communication solutions

Create brand awareness by advertising in telecommunications magazines and through other multimedia

Have published the Group's own monthly magazine to telecom operators national wise. Have published product white cover book widely to customers. Have advertised to customers through media advertisement such as Computer World, The People's Post and Telecom Newspaper.

Participate in telecommunications exhibitions and conventions

Related activities in mainland had been cancelled or postponed due to influence of SARS.

Launch major marketing campaigns on wireless value-added systems

Related activities in mainland had been cancelled or postponed due to influence of SARS.

Teleom operation supports solutions

Create brand awareness by advertising in telecommunications magazines and through other multimedia

Have published the Group's own monthly magazine to telecom operators national wise. Have published product white cover book widely to customers. Have advertised to customers through media advertisement such as Computer World, The People's Post and Telecom Newspaper.

Participate in telecommunications exhibitions and conventions

Related activities in mainland had been cancelled or postponed due to influence of SARS.

Establish strategic alliances with suppliers

Have entered into agreement with Hua Wei Company to jointly develop telecommunication market. Have interflow activities with a number of suppliers.

Business objectives for the Review Period as set out in the Prospectus

Actual business progress for the Review Period

Strategic investments and business collaborations

Data communication solutions

Establish strategic alliances with reputable multinational data switch platform providers to strengthen the Group's brand

Have entered into core co-operation agreement with Hua Wei Company and became its authorized senior dealer.

Acquire a broadband value-added system provider

Postponed due to market conditions.

Teleom operation supports solutions

Establish strategic alliances with multinational companies on the development of broadband internet management system

Have in-depth communication with a reputable international broadband operator, VERSO Company, and have reached an intention of co-operation.

Employment of human resources

Number of employees

Management	20	30
Research and product development	165	231
Sales and marketing	40	52
Administration and finance	25	35
	<u>250</u>	<u>348</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>

Use of proceeds

Product enhancement and development	5,800	5,500
Sales and marketing	3,200	3,000
Strategic investments and business collaboration (Note)	4,000	–
General working capital	800	1,000
	<u>13,800</u>	<u>9,500</u>

Note: The Group had postponed its acquisition and investment activities due to the market conditions.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30th June, 2003, none of the Directors, Supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFC")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed in this report, during the six months ended 30th June, 2003, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30th June, 2003, none of the Directors, Supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of 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, 2003, no option has been granted pursuant to such share option scheme.

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 30th June, 2003, no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shares as recorded in the register maintained under section 336 of the SFO:

Shareholder	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
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%
Shi Chu Hua	16,490,280	4.86%
Wu Zhong Hao	16,490,280	4.86%

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, 2003.

Pursuant to the sponsor 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 remaining period up 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 to 5.25 of the GEM Listing Rules. 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, 2003 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, 2003.

On behalf of the Board
Chen Ping
Chairman

8th August, 2003, Hangzhou, the PRC