



SHANGHAI JIAODA WITHUB
INFORMATION INDUSTRIAL COMPANY LIMITED*

上海交大慧谷信息產業股份有限公司

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

INTERIM REPORT 2003

* *For identification purpose only*

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This report, for which the directors (the “Directors”) of Shanghai Jiaoda Withub Information Industrial Company 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 for the purpose of giving information with regard to the Company. 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

- The Group recorded a significant increase in turnover notwithstanding the outbreak of Severe Acute Respiratory Syndrome (“SARS”) in the first half of the year. For the six months ended 30th June, 2003, the Group recorded turnover of approximately RMB56,280,000, representing an increase of approximately 164.5% from that of the corresponding period in 2002. Due to the outbreak of SARS, the progress on project completion, launching of marketing activities and research and development of products for the six months ended 30th June, 2003 was slower than expected.
- For the six months ended 30th June, 2003, the Group recorded a net loss of approximately RMB1,866,000. For the same period in 2002, the Group recorded a net profit of approximately RMB24,000.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2003.

INTERIM RESULTS

The board of Directors (“Board”) of Shanghai Jiaoda Withub Information Industrial Company Limited is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30th June, 2003.

The unaudited results of the Group for the three months and six months ended 30th June, 2003 together with the unaudited comparative figures for the corresponding periods in 2002 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	For the three months ended 30th June,		For the six months ended 30th June,	
		2003	2002	2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	34,048	12,612	56,280	21,277
Cost of sales		(29,426)	(5,184)	(49,143)	(12,183)
Gross profit		4,622	7,428	7,137	9,094
Other revenue		1,285	1,000	4,021	1,159
Distribution costs		(1,268)	(584)	(2,132)	(1,271)
Research and development costs		(308)	(1,984)	(708)	(2,165)
Administrative expenses		(3,836)	(1,908)	(10,154)	(5,124)
Profit/(loss) from operations	3	495	3,952	(1,836)	1,693
Finance costs	4	(42)	(62)	(88)	(118)
Share of loss of associates		(703)	(792)	(953)	(1,292)
Profit/(loss) before taxation		(250)	3,098	(2,877)	283
Taxation	5	830	(282)	830	(282)
Net profit/(loss) before minority interests		580	2,816	(2,047)	1
Minority interests		(82)	(146)	181	23
Net profit/(loss) attributable to shareholders		498	2,670	(1,866)	24
Dividends		–	–	–	–
Earnings/(Loss) per share (in RMB)	6	0.0010	0.0074	(0.0039)	0.0001

CONDENSED CONSOLIDATED BALANCE SHEETS

		30th June, 2003	31st December, 2002
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Plant and equipment		2,877	2,750
Interests in associates		17,099	18,201
Goodwill		103	126
Intangible asset		4,500	4,650
Other non-current assets		150	150
		<u>24,729</u>	<u>25,877</u>
Current assets			
Inventories		15,146	12,752
Trade debtors	7	20,868	22,325
Deposits, prepayments and other debtors		5,034	6,493
Other investments		22,305	22,403
Amounts due from related parties		390	1,629
Amounts due from associates		577	280
Cash and bank balances		57,857	58,779
		<u>122,177</u>	<u>124,661</u>
Current liabilities			
Bank loan		3,000	3,000
Trade creditors	8	8,899	9,579
Other creditors and accrued expenses		15,847	15,375
Income taxes payable		606	1,983
		<u>28,352</u>	<u>29,937</u>
Net current assets		<u>93,825</u>	<u>94,724</u>
Total assets less liabilities		118,554	120,601
Minority interests		(425)	(606)
Net assets		<u>118,129</u>	<u>119,995</u>
Shareholders' funds			
Share capital	9	48,000	48,000
Reserves		70,129	71,995
		<u>118,129</u>	<u>119,995</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Save as stated below, the Group has not recorded any movement in reserve for the six months ended 30th June, 2003.

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1st January, 2002	36,000	2,300	8,896	–	(9,079)	38,117
Net profit for the period	–	–	–	–	24	24
At 30th June, 2002	<u>36,000</u>	<u>2,300</u>	<u>8,896</u>	<u>–</u>	<u>(9,055)</u>	<u>38,141</u>
At 1st January, 2003	48,000	61,068	16,000	19	(5,092)	119,995
Net loss for the period	–	–	–	–	(1,866)	(1,866)
At 30th June, 2003	<u>48,000</u>	<u>61,068</u>	<u>16,000</u>	<u>19</u>	<u>(6,958)*</u>	<u>118,129</u>

* Including a non-distributable surplus of a subsidiary of RMB20,000 (2002: Nil).

CONDENSED CONSOLIDATED CASHFLOW STATEMENTS (UNAUDITED)

	For the six months ended 30th June,	
	2003 RMB'000	2002 RMB'000
NET CASH USED IN OPERATING ACTIVITIES	(1,146)	(175)
NET CASH FROM INVESTING ACTIVITIES	312	615
NET CASH USED IN FINANCING ACTIVITIES	<u>(88)</u>	<u>(1,117)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(922)	(677)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	<u>58,779</u>	<u>17,821</u>
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	<u>57,857</u>	<u>17,144</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
CASH AND BANK BALANCES	<u>57,857</u>	<u>17,144</u>

Notes:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (“interim financial statements”) of the Group have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice No. 25 (Interim Financial Reporting) issued by the Hong Kong Society of Accountants and the rules governing the listing of securities on GEM. The financial statements have been prepared on the basis of historical cost convention except for investments in securities which are measured at fair values.

The accounting policies and calculation methods used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2002 except that the Group has adopted a revised Statement of Standard Accounting Practice 12 (“SSAP 12”) issued by the HKSA in the current period.

SSAP 12 (revised) prescribes the basis for accounting and disclosure requirements for both current and deferred tax. The revised SSAP requires deferred tax to be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In prior period, SSAP 12 required deferred tax to be provided on all material timing differences arising between accounting profit and taxable profit. The adoption of SSAP 12 (revised) represents a change in accounting policy, but has had no material effect on the results for the current or prior accounting periods.

2. TURNOVER

Turnover represents revenue from business solutions development, application software, network and data security products, and the sales of distributed products. Turnover is stated net of value added tax and other sales tax and returns. Revenue from provision of business solutions development, application software and network and data security products are recognised when delivery or acceptance has occurred, the fee is fixed and determinable, evidence of an arrangement exists, collection of the receivable is probable and no significant post-delivery obligations remain. Sales of distributed products are recognised when goods are delivered and title has passed.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Business solution development	13,631	9,122	20,387	11,546
Application software	226	2,823	530	2,857
Network and data security products	43	205	555	302
Sales of distributed products	20,148	462	34,808	6,572
	<u>34,048</u>	<u>12,612</u>	<u>56,280</u>	<u>21,277</u>

All of the Group's activities are conducted in the PRC and are within the same business segment.

3. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) from operations has been arrived after charging:				
Amortisation of goodwill	11	11	23	23
Amortisation of intangible asset	75	75	150	150
Depreciation	236	124	517	291
Provision for inventory obsolescence	600	–	600	–
Net unrealised holding loss on other investments	99	–	99	–
and crediting				
Gain on disposal of listed securities	–	174	–	227
Tuition fees	207	–	2,432	–

4. FINANCE COSTS

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	42	62	88	118
	<u>42</u>	<u>62</u>	<u>88</u>	<u>118</u>

5. TAXATION

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
PRC enterprise income tax:				
Provision for income taxes for current period	–	282	–	282
Over provision in respect of prior years	(830)	–	(830)	–
	<u>(830)</u>	<u>282</u>	<u>(830)</u>	<u>282</u>

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong. The Group is subject to PRC enterprise income tax ("EIT") at rate of 15%, calculated based on estimated assessable profits for the period.

A deferred tax asset has not been recognised in respect of tax losses available to offset future profits as the amount involved is insignificant for the three months and six months respectively ended 30th June, 2003 and the corresponding periods last year.

Share of results of associates by the Group included share of taxation of associates amounting to RMB Nil and RMB Nil for the three months and six months ended 30th June, 2003 respectively (RMB17,000 and RMB1,800 for the three months and six months ended 30th June, 2002 respectively).

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the three months and six months ended 30th June, 2003 was based on the net profit and net loss of approximately RMB498,000 and approximately RMB(1,866,000) (three months and six months ended 30th June, 2002; net profit of approximately RMB2,670,000 and RMB24,000) divided by the number of shares during the period as if the sub-division of the Company's shares as described in Appendix IV of the Prospectus had been taken place at the beginning of the relevant periods (2003: 480,000,000 shares and 2002: 360,000,000 shares).

Diluted earnings per share is not presented for the three months and six months ended 30th June, 2003 and 2002 as there were no potential dilutive shares in issue during the relevant periods.

7. TRADE DEBTORS

The credit terms of the Group are 30-90 days. The aging analysis of trade debtors is as follows:

	As at 30th June, 2003 RMB'000	As at 31st December, 2002 RMB'000
Aged:		
0-90 days	8,340	16,575
91-180 days	6,460	3,555
181-365 days	4,514	771
>365 days	2,011	1,882
	<u>21,325</u>	<u>22,783</u>
Provision for doubtful debts	(457)	(458)
	<u>20,868</u>	<u>22,325</u>

8. TRADE CREDITORS

The aging analysis of trade creditors is as follows:

	As at 30th June, 2003 RMB'000	As at 31st December, 2002 RMB'000
Aged:		
0-90 days	7,720	9,034
91-180 days	37	41
181-365 days	638	2
>365 days	504	502
	<u>8,899</u>	<u>9,579</u>

9. SHARE CAPITAL

	Number of shares	RMB'000
Registered, issued and fully paid		
Domestic shares of RMB1 each at 1st January, 2002	36,000,000	36,000,000
Domestic shares sub-divided into 10 shares of RMB0.1 each at 22nd July, 2002	324,000,000	–
Decrease in domestic shares of RMB0.1 each at 31st July, 2002	(12,000,000)	(1,200,000)
Increase in H shares of RMB0.1 each at 31st July, 2002	<u>132,000,000</u>	<u>13,200,000</u>
Total	<u>480,000,000</u>	<u>48,000,000</u>

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group encountered a change in operating environment resulting from the outbreak of SARS during the second quarter of 2003. With the endeavour of its staff, the Group recorded a significant growth in turnover for the six months ended 30th June, 2003 under such unfavourable condition. Still, the Group recorded a loss. Since the Group's operations involve a lot of personal contacts among people, including cooperation in construction works, approaching customers, and discussions among staff, the outbreak of SARS had severely disrupted the progress of projects, business promotion and research and development of the Group. Moreover, in order to maintain their business, certain industry players had introduced price cut during the second quarter of 2003. This led to a fall in operating profit and marginal profit of the Group which are expected to continue for a while.

The Group believes the negative effect brought by SARS is only short-term, and expects the operating environment will improve in the second half of the year. The Group has actively approached their clients and re-formulated the operation plan for this year.

FINANCIAL REVIEW

For the three months ended 30th June, 2003, the Group has accomplished a revenue of approximately RMB34,048,000 and a net profit of approximately RMB498,000. This represented an increase of approximately 170% in total revenue from that of the same period in 2002. For the six months ended 30th June, 2003, the Group has recorded a revenue of approximately RMB56,280,000 and a net loss of approximately RMB1,866,000. This represented an increase of 164.5% in total revenue from that of the same period in 2002. The increase in the revenue of the Group was due to the growth in the revenue from business solutions and distributed products. However, a decrease in marginal profit and an increase in operating costs have contributed a loss for the Group.

Financial Resources and Liquidity

As at 30th June, 2003, shareholders' funds of the Group amounted to approximately RMB118,129,000. Current assets amounted to approximately RMB122,177,000, of which approximately RMB57,857,000 were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB28,352,000 mainly comprising trade payable, accruals and short-term bank loan. The net asset value per share was RMB0.246.

The Group has outstanding bank loan of RMB3,000,000, which was borrowed by Shanghai Jiaoda Withub Software Company Limited ("Withub Software"), one of the Company's subsidiaries. The fund was basically used to finance the daily operations of Withub Software. The loan will be due on 15th November, 2003 and the monthly interest rate charged was 0.48675%. Other than this short-term loan, the Group has not committed any borrowing facilities. As at 30th June 2003, the Group held cash balance of RMB57,857,000 and the current ratio was 4.3. The Directors believe that the Group is financial healthy.

The Group expresses its gearing ratio as a percentage of long-term debts over total assets. The Group had a gearing ratio of zero since the Group did not have any long-term debts. The Group generally finances its operations with equity funding and bank borrowings.

During the six months ended 30th June, 2003, as the Group's sales and purchases were substantially denominated in Renminbi, the Board considers that the potential foreign exchange exposure of the Group is minimal.

Others

As at 30th June, 2003, the Group employed 263 employees. For the six months ended 30th June, 2003, the remuneration for the employees of the Group (including the directors' emoluments) amounted to approximately RMB7,195,000. Employees are remunerated in accordance to their performance and working experience.

During the six months ended 30th June, 2003, the Group had no material acquisitions and disposal of subsidiaries and associated companies and it is the same for the comparative six months ended 30th June, 2002.

As at 30th June, 2003, save as the investment in government bonds of approximately RMB20,805,000, the Group has no significant investment held, and it is the same as at 30th June, 2002.

As at 30th June, 2003, there were no charges on group assets, and it is the same as at 30th June, 2002.

As at 30th June, 2003, the Group had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed "Business objectives and future plans and prospects" in the Prospectus.

As at 30th June, 2003, the Group had no material contingent liabilities, and it is the same as at 30th June, 2002.

FUTURE PROSPECTS

The outbreak of SARS has negatively affected the Group's operation in the first half of the year. Nevertheless, the Directors believe that the negative effect brought by SARS is only short-term. In the long run, the PRC economy will keep on growing, while corporate management will go internationalized and corporate demand for information technology and products will grow year by year. The Group expects a prominent improvement in operating environment towards the second half of the year. The Directors also believe that with the Group's existing technology, talented and experienced R&D team, and the relationship with Shanghai Jiao Tong University and their continuous technological support, the Group has strong competitive edge in the potential market of business application solution within the PRC IT sector, and the Group would be able to benefit from it.

Comparison of Business Objectives With Actual Business Progress for the six months ended 30th June, 2003

	Objectives	Actual Progress
RESEARCH AND PRODUCT DEVELOPMENT/ ENHANCEMENT		
Software Products	Commence testing phase in Jiangsu province for Enterprise Information Management System	Testing commenced
	Commence preliminary development of Enterprise Resource Planning software	Development plan changed to develop industrial application softwares for different sectors
	Complete development, testing and packaging of v.3.2 of Enterprise Information Management System	Merged with Industry Information Management System for different sectors
Firewall	Continue to refine and improve 1,000Mbps firewall technology	Refining in progress
	Continue with establishment of network hacking techniques database	Development ceased, considering to approach other parties to purchase relevant databases
	Commence research on anti-virus firewall technology	Research commenced
	Commence development of new generation hacking monitor technology	Development commenced
	Refine and improve network processor application	Refining in progress
	Development of 1,000Mbps firewall products prototype (standard/VPN)	Development commenced
	Commence development of new generation system security products based on network processor (firewall, VPN)	Development delayed

	Objectives	Actual Progress
Witnet-Video products	Complete development of product series based on MPEG-II technology	Product model finalised
	Continue development and design of MPEG-IV video products	Development ceased
	Continue development of NetVCR and Netplayer products	Development commenced
	Continue development of Witnet-Video based business solutions to extend to multimedia technology solution for the medical practice	Development in progress
	Commence development of low cost MPEG-II video products	Development delayed
PRODUCTION		
Firewall	Production of 200 100Mbps firewall	Produced only 10 firewall with reference to market demand
	Commence production of 30 1,000Mbps firewall products	Production not commenced yet
Witnet-Video products	Production of video image servers (low cost 200 and multiway 100)	Reviewed product plan according to market demand, production ceased in first half of the year
	Production of 150 NetVCR	Development progress being disrupted, no actual production
	Production of 150 Netplayer	Development progress being disrupted, no actual production
Electromagnetic Interference device	Complete assembly of 40 new generation electromagnetic interference device per month	Adjusted according to market demand, with a monthly average production of 10 units

	Objectives	Actual Progress
EXPANDING GEOGRAPHICAL COVERAGE AND BRAND BUILDING		
Sales & marketing-geographical coverage and addition		
Enterprise Information Management System	Beijing	Coverage in Beijing
Sales network		
Firewall and Witnet Video products	Shantung, Hubei	Plan delayed due to the product's development progress
Marketing campaigns & promotions	Continue advertising and exhibition campaign	Organised several seminars and interviewed by several prestigious domestic media, such as 計算機世界, 中國計算機報 and 上海商報
	Promotion for 1,000Mbps firewall products	Plan delayed due to the product's development delayed
	Continue promotion for Witnet-Video products	Reviewed product strategy, plan delayed
	Continue promotion for computer hardware and related products distributed by the Company	Conducted promotional activities at some points of sales
Training	Organise and conduct inhouse training to sales and marketing staff	Organised several training on product knowledge and post-SARS marketing for sales staff
	Organise and conduct external sales training	Arranged Company's officers to participate in trainings offered by suppliers

Use of proceeds from the New Issue for the six months ended 30th June, 2003

The net proceeds from the placing of 120,000,000 H shares of the Company (the “New Issue”) amounted to approximately HK\$66 million. These H shares have been listed on GEM of the Stock Exchange since 31st July, 2002. A comparison of the net proceeds from the New Issue with the expected use of proceeds for the six months ended 30th June, 2003 as set out in the prospectus of the Company dated 25th July, 2003 is as follows:

	Expected total fund for the period <i>HK\$ million</i>	Actual fund utilised for the period <i>HK\$ million</i>
Research and development	2.1	0.5
Production enhancement and upgrading	0.5	0.2
Production facilities	1.5	0.8
Sales and marketing	6.1	1.9
Loan repayment	0	0
Working capital	<u>0</u>	<u>0</u>
Total	<u>10.2</u>	<u>3.4</u>

As at 30th June, 2003, unused proceeds amounted to approximately HK\$47.8 million, of which approximately HK\$44 million was kept in bank saving accounts in the PRC and HK\$3.8 million was invested in government bonds. The cash and bank balances as at 30th June, 2003 was approximately RMB57.9 million.

Although the Group recorded significant increase in sales in the first half of 2003, the Group did slow down the progress on research and development and sales promotion activities as planned due to the outbreak of SARS in the second quarter of 2003.

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

As at 30th June, 2003, the interests and short positions of the Directors, supervisors or chief executives of the Company in the shares, debentures or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance, or which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ name of associated corporation	Capacity	Number and class of securities <i>(Note 1)</i>	Approximate percentage in the issued share capital of the Company/ associated corporation
Director				
Xu Xiaoming	The Company	Beneficial owner	7,300,000 domestic shares (L)	1.52%
Cheng Min	The Company	Beneficial owner	4,700,000 domestic shares (L)	0.98%
Chen Jianbo	The Company	Beneficial owner	24,300,000 domestic shares (L)	5.06%
	Shanghai Jiaoda Withub Ton Yong Technology Company Limited <i>(Note 2)</i>	Beneficial owner	500,000 shares (L)	5.00%
Chief executive				
Wang Yiming	The Company	Beneficial owner	9,840,000 domestic shares (L)	2.05%
	Shanghai Huikang Information Technology Company Limited <i>(Note 3)</i>	Beneficial owner	100,000 shares (L)	10.00%

Notes:

1. The letter "L" represents the interests in the share and underlying shares of the Company or its associated corporations.
2. Shanghai Jiaoda Withub Ton Yong Technology Company Limited is a subsidiary of Shanghai Jiaoda Withub Technology Company Limited, an associated company of the Company.
3. Shanghai Huikang Information Technology Company Limited is one of the subsidiaries of the Company.

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

As at 30th June, 2003, none of the Directors, supervisors and chief executives of the Company was granted options to subscribe for H shares of the Company. As at 30th June, 2003, none of the Directors, supervisors and chief executives of the Company had any rights to acquire H shares in the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme at 7th July, 2002. A summary of the principle terms and conditions of the share option scheme are set out in the section headed “Share Option Scheme” in Appendix IV of the Prospectus. No option has been granted pursuant to such share option scheme on or before 30th June, 2003.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 30th June, 2003, the following shareholders had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance:

Name of shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of interest
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 2)	114,000,000 (L)	23.75%
Shanghai Jiaoda Nanyang Company Limited	Beneficial owner	85,500,000 (L)	17.81%
Shanghai Xin Xuhui (Group) Limited	Beneficial owner	60,000,000 (L)	12.50%
Xuhui District Industrial Association	Interest of a controlled corporation (Note 3)	60,000,000 (L)	12.50%
Shanghai Huixin Investment Operation Company Limited	Beneficial owner	57,000,000 (L)	11.88%
Shanghai Technology Investment Company	Beneficial owner	57,000,000 (L)	11.88%
Shanghai Jiaoda Industrial Investment Management (Group) Limited	Beneficial owner	28,500,000 (L)	5.94%
Chen Jianbo	Beneficial owner	24,300,000 (L)	5.06%

Notes:

- The letter “L” represents the entity’s interest in the shares of the Company.
- These 114,000,000 domestic shares are respectively registered and owned as to 28,500,000 domestic shares by Shanghai Jiaoda Industrial Investment Management (Group) Limited, the registered capital of which is owned as to 96.735% by Shanghai Jiao Tong University and as to 3.265% by Shanghai Jiaoda Enterprise Management Centre, an entity wholly-owned by Shanghai Jiao Tong University, and as to remaining 85,500,000 domestic shares by Shanghai Jiaoda Nanyang Company Limited, the shares in issue of which are owned as to approximately 43.7% by Shanghai Jiao Tong University. Shanghai Jiao Tong University is deemed to be interested in the aggregate of 114,000,000 domestic shares held by Shanghai Jiaoda Industrial Investment (Group) Limited and Shanghai Jiaoda Nanyang Company Limited under the Securities and Futures Ordinance.
- These 60,000,000 domestic shares are registered and owned by Shanghai Xin Xuhui (Group) Limited, the registered capital of which will be owned as to approximately 74.58% by Xuhui District Industrial Association after the completion of certain capital reorganisation as referred to in the Prospectus. Xuhui District Industrial Association is deemed to be interested in the 60,000,000 domestic shares held by Shanghai Xin Xuhui (Group) Limited under the Securities and Futures Ordinance.

COMPETING INTERESTS

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

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Guotai Junan Capital Limited ("Guotai Junan"), neither Guotai Junan nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2003 pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 20th December, 2002 entered into between the Company and Guotai Junan, Guotai Junan has received and will receive a fee for acting as the Company's retained sponsor for the period from 1st January, 2003 to 31st December, 2004.

AUDIT COMMITTEE

The Company established an audit committee on 7th July, 2002 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 audit committee comprises the two independent non-executive directors, Professor Shao Shihuang and Professor Gu Junzhong. The audit committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30th June, 2003.

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 period up to 30th June, 2003.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by the interim results announcement and thereafter.

By Order of the Board
Xu Xiaoming
Chairman

Shanghai, the PRC, 12th August, 2003