



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)

FIRST QUARTERLY REPORT

2002

* *for identification only*

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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 RMB17,736,000 for the three months ended 31st March, 2002, representing an approximately 863% increase as compared to the turnover for the corresponding period in 2001
- Accomplished a net profit of approximately RMB2,921,000
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2002

2002 FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March, 2002.

For the three months ended 31st March, 2002, the Group recorded an unaudited turnover of approximately RMB17,736,000, representing a growth of approximately RMB15,894,000, or approximately 863%, as compared to the turnover of the same period in 2001.

Due to the growth in the turnover, the Group achieved an unaudited net profit for the three months ended 31st March, 2002 of approximately RMB2,921,000, representing a substantial growth in the results as compared to a loss of approximately RMB662,000 for the same period in 2001.

The unaudited results of the Group for the three months ended 31st March, 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	<i>Note</i>	For the three months ended 31st March,	
		2002	2001
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	17,736	1,842
Cost of sales		(10,283)	(1,065)
Gross profit		7,453	777
Selling expenses		(1,056)	(508)
Research and development costs		(755)	(150)
Administrative expenses		(1,691)	(843)
Other expenses, net		(56)	(38)
Profit (loss) from operations		3,895	(762)
Finance (costs) income, net		(303)	12
Profit (loss) before taxation		3,592	(750)
Taxation	3	(723)	—
Profit (loss) before minority interests		2,869	(750)
Minority interests		52	88
Profit (loss) attributable to shareholders		2,921	(662)
Earnings (loss) per share - basic	4	RMB0.013	(RMB0.003)

Notes:

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 (the "Listing") on 3rd May, 2002, details of which are set out in the prospectus of the Company dated 24th April, 2002 (the "Prospectus").

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the Rules Governing the Listing of Securities on GEM.

2. TURNOVER

Turnover, which is stated net of valued added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of telecommunications solutions where turnover represents the value of work done during the period, including amounts not yet invoiced.

	For the three months ended 31st March,	
	2002 RMB'000	2001 RMB'000
Provision of telecommunications solutions	16,412	1,842
Trading of hardware	1,324	—
	<u>17,736</u>	<u>1,842</u>

3. TAXATION

	For the three months ended 31st March,	
	2002 RMB'000	2001 RMB'000
The charge comprises:		
PRC income tax	<u>723</u>	<u>—</u>

The Company has been classified as an Advanced Technology Enterprise by the Scientific Technology Committee of Zhejiang Province. As an 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%.

4. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share have been computed by dividing net profit for the three months ended 31st March, 2002 of approximately RMB2,921,000 (2001: net loss of approximately RMB662,000) by the number of 227,452,000 shares (2001: 227,452,000 shares) outstanding as of the date of the Prospectus as if the subdivision of the Company's shares as described in Appendix VI of the Prospectus had taken place at 1st January, 2001 and as if those shares had been issued and outstanding throughout the period from 1st January, 2001 to 31st March, 2002.

No diluted earnings (loss) per share were presented for the three months period ended 31st March, 2002 and 2001 as there was no potential dilutive securities in existence during the relevant periods.

5. RESERVES

Save as disclosed below, there were no movements in reserves of the Group for the three months period ended 31st March, 2002 and 2001:

	Tax refund reserve		Retained profits	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January,	—	1,434	10,311	1,120
Net profit (loss)	—	—	2,921	(662)
Dividends	—	—	—	(459)
Capitalisation of tax refund reserve and retained profits	—	(115)	—	(1,724)
At 31st March,	—	1,319	13,232	(1,725)

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2001: RMB459,000).

FINANCIAL REVIEW

The Group has achieved a stable and sustained growth in the results of the first quarter of 2002. For the three months ended 31st March, 2002, the Group has recorded a turnover and net profit of approximately RMB17,736,000 and RMB2,921,000 respectively. This represented a growth of approximately 863% in turnover when compared to the same period in the previous year. The improvement in the financial conditions of the Group was mainly attributable to the expansion in sales network.

BUSINESS REVIEW

Product development

The Group has launched two new products of its wireless value-added systems, namely the “metropolitan 520 SMS chat” and “Blackjack”. In addition, the Group has also completed the compatibility testing of the SUN platform on its wireless information dissemination control system. The broadband Internet CRM system and the telecom OA system have also been upgraded to enhance the quality and system capacity. Furthermore, the Group has commenced the initial planning and design of the application of GIS technology in telecommunications industry.

Marketing and business development

The Group continued to provide telecom operation solutions and data communication solutions to telecommunications operators in the PRC. The Group's e-commerce system has been chosen as one of the few systems to be potentially adopted by China Unicom for its internal use and it is expected that contracts in respect of 165 e-commerce system will be obtained in several provinces. The Group's telecom operation solutions system continued to gain market share, in which China Unicom (Gongxi) has already signed a purchase order. At the same time, the Group has continued to develop and promote its wireless value-added systems, including the Chinese SMS secretarial system, the data communication system and in particular, the SMS platform enabler, to various telecommunications operators, such as China Unicom (Zhejiang) and China Unicom (Jiangsu).

The Group participated in a conference held in Linbao to promote its telecom operation solutions to China Netcom and achieved satisfactory results. Moreover, the Group has expanded its sales and distribution network through its establishment of representative offices in Beijing, the southern and northwestern regions of the PRC.

FUTURE PROSPECTS

With the continued rapid development of the advanced technology industry in the PRC, the Group expects the market demand for advanced technology products shall surge. Moreover, the PRC's accession into the WTO shall promote more business opportunities to the advanced technology industry. As such, the Group will continue to further strengthen its sales and research and development teams and become a leader in the industry.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 3rd May, 2002 (date of the Listing of the Company), 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 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 AND DEBT SECURITIES

During the period from 1st January, 2002 to 3rd May, 2002 (date of the Listing of the Company), none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 3rd May, 2001 (date of the Listing of the Company), 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 3rd May, 2001 (the date of the Listing of the Company), no option has been granted pursuant to such share option scheme.

SUBSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 3rd May, 2002 (date of the Listing of the Company), 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 3rd May, 2002 (date of the Listing of the Company).

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 3rd May, 2002 (date of the Listing of the Company) 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.

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 from 1st January, 2002 to 3rd May, 2002 (date of the Listing of the Company).

On behalf of the Board
Chen Ping
Chairman

14th May, 2002, Hangzhou, the PRC