



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 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 RMB22,100,000 for the three months ended 31 March 2003, representing an increase of approximately 24.6% as compared with the turnover for the corresponding period in 2002
- Accomplished a net profit of approximately RMB2,731,000, representing a slight decrease of approximately 6.5% 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 three months ended 31 March 2003

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the first quarterly report of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2003.

2003 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2003, the Group recorded an unaudited turnover of approximately RMB22,100,000, representing a growth of approximately RMB4,364,000, or approximately 24.6%, as compared with the turnover of the same period in 2002.

For the three months ended 31 March 2003, the Group recorded an unaudited net profit of approximately RMB2,731,000, representing a decline of approximately RMB190,000, or a slight decline of approximately 6.5%, as compared with the turnover of the same period in 2002.

The unaudited results of the Group for the three months ended 31 March 2003 together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

| | Note | For the three months ended 31 March | |
|--|------|--|-----------------|
| | | 2003 RMB'000 | 2002 RMB'000 |
| Sales, net | 2 | 22,100 | 17,736 |
| Cost of sales | | (15,890) | (10,283) |
| Gross profit | | 6,210 | 7,453 |
| Distribution costs | | (1,685) | (1,056) |
| Administrative expenses | | (3,879) | (2,446) |
| Other operating income (expenses) | | 70 | (56) |
| Profits from operations | | 716 | 3,895 |
| Finance costs, net | | (133) | (303) |
| Value added tax refund | | 2,753 | – |
| Profit before tax and minority interests | | 3,336 | 3,592 |
| Income tax expense | 3 | (608) | (723) |
| Profit before minority interests | | 2,728 | 2,869 |
| Minority interests | | 3 | 52 |
| Net profit | | 2,731 | 2,921 |
| Earning per shares – Basic | 4 | RMB0.008 | RMB0.013 |

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 20 September 2001 and its H shares were listed on the GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 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 disclosure requirements of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Sales, net

| | For the three months ended 31 March | |
|---|--|---------------|
| | 2003 | 2002 |
| | RMB'000 | RMB'000 |
| Provision of telecommunications solutions | | |
| – System integration | 17,690 | 16,412 |
| – Sales of self-developed software | 5,128 | – |
| | <u>17,818</u> | <u>16,412</u> |
| Trading of hardware and software | 4,282 | 1,324 |
| | <u>22,100</u> | <u>17,736</u> |

3. Income tax expenses

| | For the three months ended 31 March | |
|----------------|--|---------|
| | 2003 | 2002 |
| | RMB'000 | RMB'000 |
| PRC income tax | 608 | 723 |

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.

4. Earnings per share

Earnings per share have been computed by dividing net profit for the three months ended 31 March 2003 of approximately RMB2,731,000 (2002: approximately RMB2,921,000) by the number of 339,577,000 shares (2002: 227,452,000 shares outstanding as of the date of the Prospectus as if the sub-division of the Company's shares as described in Appendix VI of the Prospectus had taken place at 1 January 2002 and as if those shares had been issued and outstanding throughout the period from 1 January 2002 to 31 March 2002) in issue.

No diluted earnings per share were presented for the three months ended 31 March 2003 and 2002 as there was no potential dilutive securities in existence during the relevant periods.

5. Reserves

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2003 and 2002:

| | For the three months ended 31 March | |
|-------------------------|-------------------------------------|---------|
| | 2003 | 2002 |
| | RMB'000 | RMB'000 |
| Retained profits | | |
| At 1 January | 19,775 | 10,311 |
| Net profit | 2,731 | 2,921 |
| | <hr/> | <hr/> |
| At 31 March | 22,506 | 13,232 |
| | <hr/> | <hr/> |

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

REVIEW OF THE FIRST QUARTER

Financial review

The turnover of the Group for the three months ended 31 March 2003 amounted to approximately RMB22,100,000, representing a growth of approximately 24.6% when comparing to the same period in previous year. Such increase was mainly attributable to the further expansion of the Group's distribution network. The factors as mentioned in 2002 Annual Report of the Group, namely (1) fierce market competition; (2) prudent business strategy and (3) increase in operating expenses, continued to affect the Group's performance during the report period. As a result, the Group reported a net profit of approximately RMB2,731,000 for the three months ended 31 March 2003, representing a slight decline of approximately 6.5% when comparing to the same period in previous year.

Product development

During the report period, the Group had further sophisticated the function of its products such as telecom e-commerce system and telecom operation analysis system and continued to allocate research and development resources to the area for the consolidation of enterprise information gateway and flow. The Group had commenced the research and development of wireless value-added service products for mobile terminal such as WAP application and BREW application, etc. The Group also sets up Lande Wireless Value-added Business Research Centre, which is currently concentrated in the research and development of BREW application and will be responsible for the research and development of wireless value-added business in future.

Marketing and business development

During the first quarter of the year of 2003, the Group continued to solidify the market share of its products and intensify the co-operation with telecom operators (such as China Unicom, China Mobile, China Telecom and China Netcom). The Group had tendered for the consolidated customer service system, the second phase of operation support system (system carrying platform) and information and decision management system of the Northern China Division of China Telecom (for nine provinces and one city) and had preliminary established the intention of co-operation for respective projects. At the same time, the Group had actively co-operated with telecom operators in various regions and promoted the core products of the Group. In the first quarter, the Group had signed contracts for the sizable customer relationship management system for the Gansu Province, the internal gateway system of Changzhou Unicom and provincial chargeable mail system of Hunan Unicom.

FUTURE PROSPECTS

As various domestic telecom operators became listed, competition is getting more and more fierce. The Group will continue to strengthen the co-operation with renowned foreign IT companies (such as IBM, Microsoft and ISS etc.). Based on the needs of customers, the Group will further intensify its aptness with the customers' products. The Group will keep on launching core business system and information system for telecom operators, which will be suitable for the new market environment and help the telecom operators switching from the product-oriented operation mode to the customer-oriented operation mode.

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

As at 31 March 2003, except for those shares as set out below, none of the directors, supervisors and chief executives of the Company or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance.

The beneficial interests of the directors, supervisors and chief executives in the share capital of the Company are as follows:

| Name | Type of interests | Number of shares | Approximate percentage of |
|------------------|-------------------|------------------|---|
| | | | beneficial interests in the Company's share capital |
| <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', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the period from 1 January 2003 to 31 March 2003, none of the directors or supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 2003, none of the directors or supervisors or chief executives or any of their spouses and children under 18 years of age had 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 31 March 2003, 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, supervisors, chief executives and their associates, as at 31 March 2003, 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 | Approximate 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% |

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 31 March 2003.

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 31 March 2003.

Pursuant to the sponsor agreement dated 24 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 31 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 first quarterly report of the Group for the three months ended 31 March 2003 has been reviewed by the Company's audit committee.

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 1 January 2003 to 31 March 2003.

behalf of the Board

Chen Ping
Chairman

14 May 2003, Hangzhou, the PRC