



ZDLD
浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

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

04

**FIRST
QUARTERLY
REPORT**

** 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 RMB28,098,000 for the three months ended 31 March 2004, representing an approximately 27.14% increase as compared with the turnover for the corresponding period in 2003.
- Accomplished a net profit of approximately RMB2,956,000, representing an approximately 8.24% increase as compared with the net profit for the corresponding period in 2003.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004.

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 2004.



2004 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2004, the Group recorded an unaudited turnover of approximately RMB28,098,000, representing a growth of approximately RMB5,998,000, or approximately 27.14%, as compared with the turnover of the same period in 2003.

For the three months ended 31 March 2004, the Group recorded an unaudited net profit of approximately RMB2,956,000, representing a growth of approximately RMB225,000, or approximately 8.24%, as compared with the net profit of the same period in 2003.

The unaudited results of the Group for the three months ended 31 March 2004 together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

		For the three months ended 31 March	
	<i>Notes</i>	2004 RMB'000	2003 RMB'000
Turnover	2	28,098	22,100
Cost of sales		(18,038)	(15,890)
Gross profit		10,060	6,210
Distribution costs		(1,708)	(1,685)
Administrative expenses		(3,960)	(3,879)
Other operating expenses (income)		(75)	70
Profit from operations		4,317	716
Finance costs, net		(802)	(133)
Share of losses of associated companies		(11)	–
Value added tax refund		–	2,753
Profit before taxation and minority interests		3,504	3,336
Income tax expenses	3	(526)	(608)
Profit before minority interests		2,978	2,728
Minority interests		(22)	3
Net profit		2,956	2,731
Earnings per share – basic	4	RMB0.009	RMB0.008



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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Turnover

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
Provision of telecommunications solutions		
– System integration	14,531	12,690
– Sales of self-developed software	752	5,128
	15,283	17,818
Trading of hardware and software	9,027	4,282
Other related services	3,788	–
	28,098	22,100

3. Income tax expenses

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
PRC income tax	526	608

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.

The business of the Group is conducted in the PRC and therefore is not subject to Hong Kong profits tax.

4. Earnings per share

Earnings per share have been computed by dividing net profit for the three months ended 31 March 2004 of approximately RMB2,956,000 (2003: approximately RMB2,731,000) by the number of 339,577,000 (2003: 339,577,000) shares in issue during the period.

No diluted earnings per share were presented for the three months ended 31 March 2004 and 2003 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 2004 and 2003:

	For the three months ended 31 March	
	2004	2003
	RMB'000	RMB'000
Retained profits		
At 1 January	25,556	19,775
Net profit	2,956	2,731
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At 31 March	28,512	22,506
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INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (2003: Nil).

REVIEW OF THE FIRST QUARTER

Financial Review

For the three months ended 31 March 2004, the Group recorded a turnover of approximately RMB28,098,000, representing a growth of approximately 27.14% as compared with the turnover of the same period in 2003. The growth in turnover was mainly attributable to the further expansion of the Group's sales network. For the three months ended 31 March 2004, the Group recorded a net profit of approximately RMB2,956,000, representing a slight growth of approximately 8.24% as compared with the net profit of the same period in 2003.



Business Review

Product development

During the reporting period, the research and development work in respect of the Group's four major product lines demonstrated satisfactory progress:

- Enterprise information products:

Footed on the pleasing market share and the ever-increasing stability and practicability of the Lotus platform based enterprise information system, the Group has commenced the research and development of the J2EE based new generation enterprise information system.

- Telecommunication support system products:

The Group has further enhanced the telecommunication operation and management support system on the IBM EAI platform. The technology of the Group in this area has achieved a leading position within the whole country. The operation and management support systems for the four provinces of China Telecom Northern Division have passed the initial testing stage.

- Communication terminal products:

The Group has commenced its investment in the research and development of communication terminal products, which mainly included wireless fixed telephone and CDMA 1X wireless Internet card. Small-scale sample production has been commenced and the market outlook is prosperous.

- Value added service products:

The Group has further strengthened the research and development of the digital voice system and has successfully developed products such as voice communication register system, bank card expenditure short message notification system and the position monitoring system for mobile phones, which had been put into trial runs in several sizable local telecommunication operators.



Marketing and business development

The Group's business in the first quarter of the year 2004 was satisfactory and the market outlook of its various product lines is booming. The special project for the implementation of enterprise information system for China Unicom has been kicked off. In the first quarter, the Group has won the order for the enterprise information system for Chongqing Unicom. The year 2004 is also the year for the reformation of the operation support system for China Telecom and China Netcom. The Group has taken part in the tendering of several important projects in this area. In the area of communication terminal products, the Group has also achieved satisfying results in the first quarter. The Group has won the tender of the wireless fixed telephone of Guizhou Mobile and has been recognized as a qualified supplier of CDMA 1X wireless Internet card by Zhejiang Unicom. The Group has also taken its important first step in its overseas business development. The Group's wireless fixed telephone products has been launched in the South East Asia market.

Future prospects

The Group will continue to strengthen its co-operation with renowned local and foreign companies, such as IBM, Microsoft, HP and Hua Wei. The Group will base on the needs of the customers to tailor made its products. The Group will keep on introducing the most updated technology of the industry so as to catch up with the technology level, improve stability and practicability of its products. The directors of the Group consider that there will be a promising market for the communication terminal products and will devote more resources into this area. Preliminary returns have already been evidenced at present.



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

Save as disclosed below, as at 31 March 2004, 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 Futures Ordinance (the "SFO")) 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%
Chen Chun	Personal	Beneficial owner	4,094,130	1.21%

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 2004, no option has been granted pursuant to such 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 31 March 2004, 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 had substantial shares as recorded in the register maintained under section 336 of the SFO:

Shareholder	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Zhejiang Qware Information Technology Investment & Consulting Company Limited	Beneficial owner	34,117,800	10.05%
Beijing Guoheng High Technology Holding Co., Ltd.	Beneficial owner	34,117,800	10.05%
Zhejiang University Innovation Information Holdings Company Limited	Beneficial owner	34,117,800	10.05%
Shi Chu Hua	Beneficial owner	16,490,280	4.86%
Wu Zhong Hao	Beneficial owner	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 31 March 2004.

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 2004 have 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 2004 to 31 March 2004.

BOARD PRACTICE AND PROCEDURES

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 throughout the three months ended 31 March 2004.

On behalf of the Board
Chen Ping
Chairman

10 May 2004, Hangzhou, the PRC