ANNUAL REPORT 2004

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)

* for identification purpose only

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Executive directors

Mr. Chen Ping
Mr. Zhao Jian
Mr. Xue Shi Cheng
Mr. Chen Chun
Mr. Hu Yang Jun

Independent non-executive directors

Mr. Cai Xiao Fu
Mr. Zhang De Xin
Mr. Gu Yu Lin

SUPERVISORS

Supervisors

Mr. Huo Zhong Hui
Ms. Liu Cui Yu
Mr. Fu Liang Yuan

Independent supervisors

Mr. Wang Hui
Mr. Feng Pei Xian

AUTHORISED REPRESENTATIVE

Mr. Chen Ping
Miss Chan Ching Yi, Yvonne *ACCA*

COMPLIANCE OFFICER

Mr. Xue Shi Cheng

QUALIFIED ACCOUNTANT

Miss Chan Ching Yi, Yvonne *ACCA*

COMPANY SECRETARY

Miss Chan Ching Yi, Yvonne *ACCA*

AUDIT COMMITTEE

Mr. Gu Yu Lin
Mr. Zhang De Xin
Mr. Cai Xiao Fu

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STOCK CODE

8106

Chairman's Statement

I would like to present hereby on behalf of the board of directors (the "Board") of Zheda Lande Scitech Limited ("Zheda Lande" or the "Company") the 2004 Annual Report of the Company and its subsidiaries (together the "Group").

FINANCIAL HIGHLIGHTS

I hereby announce that the Group has maintained a normal development in the past financial year. For the year ended 31 December 2004, the Group realised a turnover of RMB185,639,000 with a net profit of RMB10,296,000. In the aftermath of market competition and the influence due to Company's business adjustment, the turnover increased by 12.82%, amounting to approximately RMB21,080,000. The Board does not recommend a final dividend payment for the financial year ended 31 December 2004.

OPERATION REVIEW

During the report period, the Group reviewed the realistic market environment and the Company's own conditions with meticulous analysis and prudent deliberations. The Group reformed the operation structure and made corresponding adjustments on the organisational structure. Based on the existing business foundation, the Group re-defined its principal operation of business: application services and value-added services. In the area of application services, it maintains the traditions alongside with software services and system integration, which rested with the management support system (MSS) and telecom support system (BSS). Both of them acted as navigating product lines. The Group aimed at continuing its enhancement of technology background, maintaining vested market position. It resulted in that the market strategy shifted from doing things massive and strong to that of being profound and sophisticated; henceforth, the enterprise's profit is maximised. Pursuant to the present conditions of market competition, costly marketing strategy was refrained from exhaustive layout dispersion, but rather it turned to focusing on weight-bearing regional development, to mould engineering into work of art. At the same time, project engineering cycle was condensed while cost expenditure was controlled severely. Thus far, the Group has properly procured tender from the North China Division of the China Telecom for the third phase project, as well as entering into agreements of MMS system market with Unicom companies in provinces, such as Shanghai, Chongqing, Anhui, etc. In the area of management support system and in terms of telecom business operator's market segment, the Group has already taken the lead over other opponents and presumed a first-ranked position of market share.

During the year, the Group continued to engage in value-added service business even further. The Group integrated distinguishable internal resources, re-defined the plan for value-added services and strived for making them as the core direction of the Group's future development. On top of the substantial development basing on value-added business, the Company emphasised the investment in developing mobile phone games. At present, the Company streamlined a professional teamwork with expertise in planning, developing, artwork, etc, who acted as a major taskforce of on-line mobile phone games, which is expected to launch a wealth of games within this year to well-defined customer groups. Presently, several games which had undergone development before have been put to on-line testing. By and large, the feedback comment is creditable, and the games will be entered into marketing operations promptly in the not long future.

The Group's two subsidiaries, Hangzhou Trust and Chengdu Lande, could still attain distinguishable performance in the area of traditional value-added businesses such as mobile SMS, secretarial services, WAP etc., with an accumulative aggregate of RMB25,000,000 plus of operational revenue. The business gradually managed to be a new profit source of the Group.

FUTURE PROSPECTS

For the year of 2005, we anticipate to have substantial gains as a result of adjustments, further that the Group should experience a faster development concerning its two spearheads regarding application services and value-added services. Especially in the aspect of value-added services, several set of games were launched to the market which were purely developed by Zheda Lande independently. The Group has also been on the alert for its financial conditions. By exerting greater reinforcement on account receivables and tighter cost control measures, the Group expects to achieve a sizable positive cash flow towards the end of the year 2005.

APPRECIATION

Last but not least, on behalf of the Board and the management, I would like to express my gratitude to the investors and customers for their incessant supports. My thanks also go to all staff of the Group for their hard working of the past year, enabling the Group to achieve proudly results.

Again, on behalf of the Board and the management, I would like to pledge allegiance to the Company with due diligence and care in the pursuit of even larger development.

Chen Ping
Chairman

23 March 2005
Hangzhou, the PRC

Management Discussion and Analysis

OPERATION REVIEW

1. Review of operating results for the year

For the year ended 31 December 2004, the audited consolidated turnover of the Group was approximately RMB185,639,000, bearing a growth of approximately RMB21,088,000, or approximately 12.82% as compared with that of 2003.

The audited net profit attributable to shareholders of the Group for the year ended 31 December 2004 was approximately RMB10,296,000, bearing a decrease of approximately RMB1,944,000, or approximately 15.88% as compared with that of 2003.

2. Product development

During the year, the Group reformed the business structure and made corresponding adjustments on the organisational structure. Based on the existing business foundation, the Group re-defined its principal operation of business: application services and value-added services.

Regarding application services, it aimed at two product pillars: the operational management support system and the business support system. The impetus for development was justified and reinforced, which resulted in accomplishing the development on the base of J2EE new version.

Regarding the value-added services, the Group based on its traditional value-added business to continue on correlated product R&D and enhancement. The emphasis of development included artificial secretarial service, SMS business, WAP business, and voice mail related value-added operations. For artificial secretarial service, the functions like phone magazines and billing function were added; whereas in SMS business, it could support SGIP (Unicom SMS Net Gateway Nexus Agreement), CMPP (Mobile SMS Net Gateway Nexus Agreement), SMGP (Telecom Xiao Ling Tong "小靈通" Net Gateway Nexus Agreement) at the same time. In the aspect of WAP operation, it provided applications like ringing tone, photo downloading, questions answering, information browsing, games, etc. For voice mail application platform, it has developed application services like fantasy talk, songs choosing, media interaction, voice SMS, athletic guess, etc.

3. Marketing and business development

During the year, the Group has captured at a blow the market share for the management support system among the China mobile companies covering five provinces (Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile, Nei Mongol Mobile), China Unicom companies covering eight provinces (Zhejiang Unicom, Tianjin Unicom, Shanghai Unicom, Chongqing Unicome, Nei Mongol Unicom, Anhai Unicom, Guangxi Unicom, Tibet Unicom) and the nine provinces of North China Division of China Telecom, having lapsed to number-one position of the Nation. Regarding the telecom operation support system, the Group succeeded in entering agreement with the North China Division of the China Telecom for the third phase project. Discussion is undergoing now for many provinces with the South China Division of the China Telecom. Apart from that, the Group has started testing the operation support system for the railway telecom; it will have its trial run from April to May of 2005.

During the year, the Group's wireless fixed phone products succeeded in having bids for Guizhou Mobile and Shaanxi Unicom, and have progressed into next round of bids for Jiangsu Mobile and Ningxia Unicom.

During the year, the Group has constituted a value-added business consortium and organizational structure with its core deriving from its subsidiary, Zhejiang Sichuang Information Technology Company Limited. The Group's value-added business came off in terms of plunging itself into even more provinces and cities. When compared to last year, the value-added correlating business has increased by 178% in its business operating revenue. The Group's operational products such as artificial secretary, SMS, voice mail application platform and WAP, etc, are now having comparatively more stable customer base. Phone on-line game is one of the Group's paramount products which is currently in its initial phase of development and investment, including but not limited to chess type games and mentally-beneficial games. Presently, a number of on-line games that are developed in the consortium have marched into the stage of internal testing at large scale, and will be launched to mobile phone users shortly.

4. Co-operation and interflow

During the report period, the Group carried on to maintain co-operation with Zhejiang University and well-known international companies (Hua Wei and IBM), and conducted interflow of concepts and probed into technology ideas.

5. Employees information

- As at 31 December 2004, the Group had 307 (2003: 354) employees in total. The total staff costs of the Group for the year amounted to approximately RMB10,982,000 (2003: RMB12,828,000).

- The Group implemented the target annual compensation system, an integrated system mingled with respect to department's and staff's performances and remuneration of the individual staff. This compensation system was resulted from the performance appraisal ratings. Through the combination of performance appraisal and target annual salary, the Group managed effectively over performance and results. At the same time, the Group could put forward effective incentive schemes for the staff. The direct linkage between staff income, individual performance target and performance target of the respective department assured efficiently the accomplishment of the target of the Group. The Group believed that the said target annual compensation system could provide substantial protection to ensure the Group's business result. The Group did not issue any share options nor had any bonus plan.

- The Group did envisage the training agenda on staff's quality and skills. The Group could understand proper training needs and derived manpower training plans by means of a crossing-match between staff positions and capacities. The Group has invited sought-after professional consulting companies to design training system and deliver courses. These were done to satisfy the demand for commitment in the aspects of company growth and staff career planning. To this end, a human resources hierarchy was synthesized in the Group.

FINANCIAL REVIEW

- The Group maintained creditable financial conditions. For the year ended 31 December 2004, the Group was mainly financed by funds generated from daily operations, bank borrowings and the listing proceeds.

- As at 31 December 2004, the Group's cash and bank balances amounted to approximately RMB50,824,000 (31 December 2003: RMB94,531,000).

- As at 31 December 2004, the Group had outstanding short-term borrowings amounted to RMB66,500,000 (31 December 2003: RMB65,000,000), bearing an average interest rate of 5.43% (31 December, 2003: 5.02%).

- As at 31 December 2004, the Group had a total asset value of approximately RMB297,310,000 (31 December 2003: RMB261,690,000).

- As at 31 December 2004, the Group had current liabilities of approximately RMB138,013,000 (31 December 2003: RMB112,338,000).

- As at 31 December 2004, the Group had shareholders' equity of approximately RMB149,529,000 (31 December 2003: RMB142,629,000).

- As at 31 December 2004, the Group had minority interests of approximately RMB9,768,000 (31 December 2003: RMB6,723,000).

- As at 31 December 2004, the Group had a gearing ratio (the ratio of liabilities to total assets) of approximately 46.42% (31 December 2003: 42.93%).

- As at 31 December 2004, the Group had a net current ratio (the ratio of current liabilities to current assets) of approximately 51.19% (31 December 2003: 46.15%).

- Since substantially all of the Group's account payables and account receivables are in Reminbi, there is minimal exposure due to any material foreign currency exchange risk.

- As at 31 December 2004, the Group had no contingent liabilities (31 December 2003: nil).

- As at 31 December 2004, bank deposits amounting to approximately RMB11,020,000 (31 December 2003: RMB11,619,000) was pledged to secure general facilities of the Group.

FUTURE PROSPECTS

1. Orders and contracts in hand

The Group has orders in hand with an aggregate amount not less than RMB40,000,000. Amongst which include the management support system for China Mobile companies with a coverage of five provinces (Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile, Nei Mongol Mobile), China Unicom companies with a coverage of eight provinces (Zhejiang Unicom, Tianjin Unicom, Shanghai Unicom, Chongqing Unicom, Nei Mongol Unicom, Anhui Unicom, Guangxi Unicom, Tibet Unicom) and the nine provinces of North China Division of China Telecom. In the area of telecom business support system, the Group has also won contract of the third phase project of the North China Division of the China Telecom.

2. Prospects of new business and new products

In the year 2005, in the area of application service system, the Group will focus on the renovation project concerning the business support system of South Division of the China Telecom, concentrating in provinces like Jiangxi, Guangdong, Zhejiang, Xiangjin, Hubei, Qinghai, etc. Telecom operational analysis system is mainly centralised in China Telecom and China Netcom, amongst which China Telecom is mainly in Hubei, while China Netcom is centralised at its headquarters' system establishment. Furthermore, in 2005, the Group will try its first hand in railway telecom market. At present, the systems in testing railway branch offices is near completion, and will have trial run from April to May of 2005.

In the aspect of value-added service system, the Group will continue to take effort in penetrating into the value-added business product development and promotions comprising short message (SMS), voice mail, secretarial station, WAP, etc, and also continue to intensify the R&D effort in phone on-line games. Referring to voice mail business, products such as voice recognizing and voice synthesizing are to be launched; whereas for SMS operations, SMS application in different trades and industries will undergo active promotion, products like traffic SMS, family- link SMS are in the place. The Group also process technology storing correlated to positioning and pop media, and follow up in accordance with the construction situation of commercial operation system fundamental platform. After all, the positioning business can be put to application value when mixed up with the original SMS. WAP, artificial platform, voice mail platform. For value-added business, the Group's objective is to become the Nation's paramount developer and business operator in phone games and become an unitary body comprising mobile phone games and mobile phone entertainments.

COMPARISON OF ACTUAL BUSINESS PROGRESS TO THE BUSINESS OBJECTIVES

The following is summary comparison of the Group's actual business progress for the year ended 31 December 2004 (the "Review Period") to the business objectives as set out in the prospectus issued by the Company on 24 April 2002 (the "Prospectus").

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Product enhancement and development		
Data communication solutions	Upgrade the wireless communication system to version 3.05 to support greater coverage	The product line has been consolidated into the wireless value-added business
	Enhance the quality and stability of the wireless communication system version 3.05	The product line has been consolidated into the wireless value-added business
	Implement 3G capability in the data switch platform	R&D is in progress
	Enhance data switch platform with 3G capability	Adjourned as the PRC 3G is not yet launched
	Research on wireless Internet capability	At present, has embedded in the value-added services sub-module
	Release large-scale wireless application systems	Based on wireless value-added system, enlarge the function in application module
	Research on an united data communication system	Completed and put into use

Business Objectives Review

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
	Release an united data communication system	Have raised the system's enlarged supportable domain, and have practical applications in the project of North China Telecom
	Research on wireless broadband capability	Completed
	Release a wireless broadband middle-ware	Based on market needs, the Company has shifted the initial R&D emphasis from wireless broadband to 3G application study
Telecom operation supports solutions	Enhance the quality of the telecom OA system	Have introduced the process flow combination system and the unification information platform system, which is used to facilitate customers to deal with new trend and needs
	Release an integrated corporate data management system	The unification information platform system integrates corporate data and executes operational process in the same platform
	Enhance the functionality of the broadband Internet CRM system	R&D is focused on the new version of CRM system, which is based on wireless broadband functionality
	Release a new version of the broadband Internet CRM system	The CRM system's new version further maps out sub-module and functionality. This enhances the system quality

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
	Enhance the integrated online telecom management system	Have extended the current integrated sales operation system
	Release a new version of the integrated online telecom management system with enhanced capabilities	Enhanced the function of original system, increase the system's compatibility, which results in a new generation of telecom support system
Sales and marketing		
Data communication solutions	Create brand awareness by advertising in telecommunications magazines and through other multimedia	The Company is keen on entrepreneur promotions by using diverse media, sending internal publications and materials to customers regularly
	Jointly organize trade show with telecommunications operators	Communicate and share technology know-how with other telecommunications business operators, discuss the technology and market trends
	Establish joint-sales efforts with multinational data switch platform providers	Interact with renowned PRC and foreign companies in terms of technical knowledge, and contemplating partnerships for mutual market exploration

Business Objectives Review

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Telecom operation supports solutions	Create brand awareness by advertising in telecommunications magazines and through other multimedia	The Company is keen on entrepreneur promotions by using diverse media, sending internal publications and materials to customers regularly
	Jointly organize trade show with telecommunications operators	Communicate and share technology know-how with other telecommunications operators, justify the technology and market trends
	Expand distribution network through the opening of provincial sales offices and the hiring of professional sales staff	Shrink away from selling frontiers and reduce escalating costs of sales to accord with the present market condition; keen on professional market segment and regional marketing strategy
Strategic investments and business collaborations		
Data communication solutions	Invest in or acquire a wireless terminal device supplier	The Company launched the wireless public phone terminal equipment
	Jointly develop wireless terminal devices with reputable global firm	Currently, the Company liaises with renowned manufacturers for cooperation, and restart to map out new product profile
	Increase investment in a virtual telecommunications operator	During the year, the Company invested by acquiring Yin Tung Digital Company, and by raising the capital of Zhejiang Sichuang, a subsidiary of the Group

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
Employment of human resources		
Number of employees		
Management	38	22
Research and product development	340	199
Sales and marketing	77	57
Administration and finance	45	29
	500	307
Use of proceeds		
	RMB'000	*RMB'000*
Product enhancement and development	10,800	6,630
Sales and marketing	5,400	2,700
Strategic investments and business collaboration	6,000	–
	22,200	9,330

Reasons of Discrepancies Between Business Objectives as set out in the Prospectus and Actual Business Progress for the Review Period

Towards the end of the year 2004, basically, the Group has achieved the business objective as set out in the Prospectus. The whole lot of fund raised has been utilised. During the period, in order to suit with changing market conditions and the need for development strategy adjustment, the Group suspended to go ahead for the certain business objectives on selected products, or bundled up R&D of selected products in line with product structure adjustments. An example is the business objective, namely "wireless communication", set out in the Prospectus.

1. Changing market conditions

The business objectives laid out when the Group was listed, such as wireless communication system, data switch platform, etc, was suspended due to change in market conditions. The Group integrated the Company's product structure and made use of the R&D results formerly attained to develop correlated innovative products.

2. Adjustment of Company product strategy

Currently the Company adopted "major product" development strategy to the extent that there is a succinct product specification with outstanding features. Non-core businesses with low speculation of profitability were discarded. On the other hand, the enhancement for the development of value-added business is continued.

3. Adjustment of Company marketing strategy

The Company's market strategy has shifted from the original sense of doing things massive and strong to that of profound and sophisticated. Emphasis is placed at province and city levels; with an aim to saving manpower cost and other expenditure. Thus, the Company's profitability will be enhanced.

4. Brief description on the use of listing proceeds

As at 31 December 2004, the Group has utilised all listing proceeds as planned. The subsequent investment for business objectives will be financed by internal working capital and bank loans.

DIRECTORS

Executive directors

Mr. Chen Ping, 41, is the chairman and the general manager of the Company. Mr. Chen is also an advisor to master degree undergraduates and an associate professor at Zhejiang University (he does not conduct lectures thereof). Mr. Chen spends an average of 5 to 10 hours per week supervising his students' R&D projects at the Research Center. As the general manager, Mr. Chen is responsible for the daily management of the Company. Mr. Chen graduated from the faculty of Computer Science and Technology at Zhejiang University with a bachelor degree and a master degree in Computer Applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen has been involved in R & D field regarding computer networking and communication platforms, particularly the wireless net data communication platforms. Mr. Chen was awarded by the People's Government of Xhejinag Province for the Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen had previously conducted classroom lectures in the faculty of Computer Science and Technology at Zhejiang University for 7 years until 1997. Mr. Chen has published two text books regarding computer networking in the PRC and disclosed a substantial number of academic research papers. Mr. Chen joined the Company in May 1997.

Mr. Zhao Jian, 38, is a director, a vice chairman, concurrently holding post as senior engineer in the Company. He serves also as the president of Zhejiang Innovation. Mr. Zhao graduated from the faculty of Engineering Management at Zhejiang University and got a master degree in January 1991. Prior to joining the Company in June 2001, Mr. Zhao served as a director and hold a concurrent post of the vice president at Zhejiang Zheda Haina Technology Holding's Company Limited (浙江浙大海納科技服份有限公司), a company listed on the Shenzhen Stock Exchange that is involved in the R & D, manufacturing and sale of semi-conductors and automated control systems, and investment management. Mr. Zhao was also the executive of the Software Industry Association of Zhejiang Province, then vice director of the Professional Commission of Computing Engineering and Application of Zhejiang electronics Association and the vice chairman of the Computing Industry Association of Zhejiang where he served as the representative to attend regular meetings. Mr. Zhao does not participate in the daily management of the Company, but acts as a representative of Zhejiang Innovation to supervise, rendering consultation service and procuring prospective business partners for the Company in occasions.

Mr. Xue Shi Cheng, 41, is the vice-chairman of the Company. Mr. Xue graduated from Zhejiang Agricultural University in July 1987 and has previously worked for the State Science & Technology Commission and the Ministry of Internal Trade. On the other hand, Mr. Xue has served as the deputy secretary-general of Beihai Government, the deputy general manager of Beijing Guoheng, the chairman of Beijing TianXiang Garden Bio-tech Investment Co. and the vice executive chairman of Venture Capital Association of Beijing where he was involved in the seeking and co-ordination of investments. Mr. Xue has been involved in the investment and capital management of high technology products in the PRC and is particularly experienced in the investment of startup companies, the capital reorganisation of high-tech enterprises, mergers and acquisitions and promoting companies to be listed on the stock exchanges. Mr. Xue does not participate in the daily management of the Group and only serves as representative from Beijing Guoheng to occasionally supervise, provide consultation service and introduce potential business partners to the Group. Mr. Xue joined the Company in April 2001.

Mr. Chen Chun, 49, is a director of the Company, the supervisor of the Research Center, a professor of Zhejiang University, an advisor to doctorate students, the vice principal of Zhejiang University's College of Information Science and Technology, the supervisor of Zhejiang University Computing Software Research Institute and a supervisor of Zhejiang University's Department of Computer Science and Technology where he taught and conducted lectures and relevant R & D. Mr. Chen graduated from Zhejiang University with a doctorate degree in June 1990. Mr. Chen was a senior visiting scholar of Computer Science at the University of Calgary in Canada during the period from March 1996 to March 1997.

Mr. Chen was awarded the National Science and Technology Advancement Third Prize in December 1996, the Zhejiang Province Science and Technology Advancement Second Prize in February 1991, the Textile Association Technology Second Prize in December 1995, and The Second Youth Prize of Science and Technology in May 1992. Mr. Chen Chun has been one of the major technology contributors in Zhejiang Province and was recognized as a pioneer of technology among elite teenagers in Zhejiang Province. Mr. Chen does not participate in the daily management of the Company, but merely representing Zhejiang Qware to monitor the Company occasionally. He provides also consultation service and introduces potential business partners to the Company. Mr. Xue joined the Company in April 2001.

Mr. Hu Yang Jun, 32, is an executive director of the Company. Mr. Hu graduated with a bachelor degree from Anhui Normal University. During his study period, Mr. Hu was major in Chinese Language and Literature and minor in International Trade. Prior to joining the Company in January 2004, Mr. Hu was the imports & exports business manager of Zhejiang Dongfang Group and the vice general manager of Zhejiang Ju Neng Dongfang Holdings Company Limited.

Independent non-executive directors

Mr. Cai Xiao Fu, 66, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices.

Mr. Zhang De Xin, 75, graduated from the faculty of Electrical & Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956 respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 to conduct research in the fields of Electrical & Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical & Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He has also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang is awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times.

Mr. Gu Yu Lin, 35, Mr. Gu is an assistant accountant. Mr. Gu graduated from the faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is currently working in the general office of Zhejiang University. Mr. Gu has been the independent supervisor of the Company before, and was appointed as independent non-executive director of the Company since September 2004.

SUPERVISORS

Supervisors

Mr. Huo Zhong Hui, 35, graduated in 1995 with a master degree in the faculty of Computer Software in Zhejiang University. He joined the Company in March 1999 and is now engaged in fields of research and technology.

Mr. Fu Liang Yuan, 49, has once been giving lectures in the faculty of Commerce at Shanghai Polytechnic University. Mr. Fu joined the Shanghai Huazhan Group Holdings Company Limited in 1999, a company that pursues in industrial investment, and worked as the assistant controller and manager of financial department. Mr. Fu was fully responsible for the work in the finance department of the Group and at the same time monitoring the investment department. Mr. Fu had previously served as the financial controller of Huatong International Group Company Limited headquartered in Shanghai since August 2000 for 8 months. Mr. Fu joined the Group in April 2001.

Ms. Liu Cui Yu, 31, an economist, currently appointed as the manageress of the Company's integrated management department. Ms. Liu graduated from Hebei Normal University in the faculty of Chinese Language. Ms. Liu has affluent job experience in personnel and administration fields throughout the years.

Directors, Supervisors and Senior Management

Independent supervisors

Mr. Wang Hui, 31, graduated from the Zhejiang Finance Institute in Professional Auditing and was admitted as a PRC certified public accountant. He is currently the senior project manager of Zhejiang Zhonghui Certified Public Accountants.

Mr. Feng Pei Xian, 68, is responsible for supervisory function in relation to the Company's board of directors, managers and other officers and report independently to the Shareholders in general meeting of the Company. Mr. Feng was the assistant chief engineer of the 52nd Research Officer of Ministry of Information Industry of the Research Institute and Chief Editor of "External Computing Equipment". Mr. Feng is now the Chief Secretariat of the Zhexiang Computing User Association and senior reporter of the China Computing News in Zhexiang.

SENIOR MANAGEMENT

Mr. Chen Wei, 41, executive president of the Company. Mr. Chen graduated from Zheijang Industrial University and majored in Electronic Surveying. Before joining the Company, Mr. Chen was holding positions as deputy general manager of Zhejiang Hong Cheng Computer System Company Limited and Zhejiang University Innovation Electronic Information Company Limited respectively. Mr. Chen joined the Company in January 2003.

Ms. Liu Qiao Ping, 32, is the Company's administrative president, and concurrently the secretary to the Board. She graduated from the University of Petroleum (Eastern China). Joining the Company since April 1998, Ms. Liu is now responsible for the value-added management system & operations in Company.

Mr. Tsui Yiu Fei, 42, graduated with a master degree from the faculty of Wireless Cable Electronics at Beijing University. He has been a chief operations officer of Beijing Lang Lou Network Company Limited, and vice president of Beijing Pioneer Networking Company Limited.

Mr. Jin Lian Fu, 58, vice president of the Company, is responsible for administrative management. Mr. Jin graduated from the faculty of Applied Mathematics of Zhejiang University. He is also an associate professor and an advisor to master degree undergraduates at Computing faculty of Zhejiang University

Mr. Li Tak Hong, 37, has a doctoral degree of Politics and Economics in Zhejiang University. Mr. Li jointed the Company in December 2004 with the current position as vice chairman. Mr. Li possesses numerous years of experience in financial management, possessing versatile expertise in fields of investment and capital financing.

Ms. Chan Ching Yi, 30, is the qualified accountant and company secretary of the Company. Miss Chan is an associate member of the Association of Chartered Certified Accountants and has over 7 years of experience in auditing and accounting fields.

The board of directors of the Company (the "Board") is pleased to present their annual report and the audited financial statements of the Group for the year ended 31 December 2004.

ARTICLES OF ASSOCIATION

Since the last annual general meeting and up to the publication date of this annual report, the Group has amended the Articles of Association for two times. Pursuant to the newly revised listing rules requirements as set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group held annual general meeting for the year 2003 on 11 June 2004 to amend the Articles of Association and pass a special resolution to adopt the amended Articles of Association. The Group held the first extra-ordinary general meeting for the year 2005 on 24 January 2005 to further amend the Articles of Association pursuant to the transfer of shares between the Company's shareholders and a third party (the Group's shareholders, namely Zhejiang University Innovation Information Holdings Company Limited, Zhejiang Qware Information Technology Investment & Consulting Company Limited, Mr. Bao Shu Xin and Mr. Chen Guo Cai had respectively entered into share transfer agreements with Zhenjiang University Innovation Technology Company Limited). The amendments to the Articles of Association will be automatically effected after the transfer of shares is approved by the Ministry of Commerce of the PRC.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development and sales of software and network system, to provide technical support services and sales of hardware. The businesses of the Company's subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's turnover and profit from operations on business segment activities basis has been set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2004 and its state of affairs as at that date are set out in the financial statements on pages 29 to 70 of the annual report. The Board recommends the profit for the year ended 31 December 2004 be appropriated as follows:

	RMB'000
Transfer to statutory surplus reserve	1,290
Transfer to statutory public welfare reserve	645
	1,935

The Board does not recommend the payment of final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

BORROWINGS AND INTERESTS CAPITALISATION

Particulars of bank loans are set out in note 22 to the financial statements. The Group did not capitalise any interest during the year.

Report of the Directors

SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the financial statements.

RESERVES

Details of the reserves of the Group and the Company are set out in note 24 to the financial statements.

RETIREMENT PLAN

Details of the retirement benefit schemes of the Group are set out in note 2 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 18.22% of the Group's turnover and the largest customer of the Group accounted for approximately 5.29% of the Group's turnover for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 30.70% of the Group's direct purchases and the largest supplier of the Group accounted for approximately 7.95% of the Group's direct purchases for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and five largest suppliers of the Group for the year ended 31 December 2004.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2004 and the Group's assets and liabilities as at 31 December 2000, 2001, 2002, 2003 and 2004 is set out on pages 71 and 72 of the annual report.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Chen Ping
Mr. Zhao Jian
Mr. Xue Shi Cheng
Mr. Chen Chun
Mr. Hu Yang Jun
(appointed on 30 September 2004)
Mr. Bao Shu Xin
(resigned on 1 February 2004)

Non-executive director

Mr. Hu Yang Jun
(appointed on 1 February 2004 and resigned on 30 September 2004)

Independent non-executive directors

Mr. Cai Xiao Fu
Mr. Zhang De Xin
Mr. Gu Yu Lin
(appointed on 30 September 2004)
Mr. Wang Yue Hao
(resigned on 30 September 2004)

Supervisors

Mr. Fu Liang Yuan
Mr. Huo Zhong Hui
(appointed on 30 September 2004)
Ms. Liu Chi Yu
(appointed on 30 September 2004)
Mr. Wang Wei Li
(resigned on 30 September 2004)

Independent supervisors

Mr. Feng Pei Xian
Mr. Wang Hui
(appointed on 30 September 2004)
Mr. Gu Yu Lin
(resigned on 30 September 2004)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

An Extraordinary General Meeting was held on 30 September 2004 for re-elections and appointment of directors and supervisors. Eight directors and five supervisors were appointed. Each appointed director and supervisor has entered into a three-year service agreement with the Company.

Save as disclosed above, none of the directors nor did the supervisors proposed for re-election at forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the directors, supervisors and senior management are set out on pages 17 to 20 of the annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

Details of the directors' and supervisors' remuneration and that of the highest paid employees are set out in notes 7 and 8 to the financial statements.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 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 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	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Directors			
Chen Ping	Personal	36,392,320	10.72%
Chen Chun	Personal	4,094,130	1.21%

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Save as disclosed herein, during the year ended 31 December 2004, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 December, 2004, 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, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") had any interest in a business which competes or may compete with the business of the Group.

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 December 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 were substantial shares as recorded in the register maintained under section 336 of the SFO:

Long position in shares

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%

On 29 October 2004, the Company's two corporate shareholders, Zhejiang Qware Information Technology Investment & Consulting Company Limited and Zhejiang University Innovation Information Holdings Company Limited, had respectively entered into agreements with the Zhejiang University Innovation Technology Company Limited (a limited company incorporated under the laws of the PRC, whose A shares are listed on PRC stock exchange). Pursuant to the agreements, the two corporate shareholders agreed to sell and the Zhejiang University Innovation Technology Company Limited agreed to buy all Domestic Shares of the Company held by the corporate shareholders. The resolution for the transfer has been reviewed and approved by the Company in the Extraordinary General Meeting held at 24 January 2005. For details of the transactions contemplated under the agreements, please refer to the Company's announcement issued on 1 November 2004. This transfer of Domestic Shares is subject to the approval by the Ministry of Commerce of the PRC. If approval is attained, and taking into account the shares transfer by Bao Shu Xin and Chen Guo Cai mentioned before, the Zhejiang University Innovation Technology Company Limited is deemed to be the largest shareholder by having 24.2% of beneficial interests in the Company's share capital. The application for approval is now in progress.

CONNECTED TRANSACTIONS

There were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

SHARE OPTION SCHEME

Pursuant to the Company's conditional share option scheme conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 (the "Share Option Scheme"), the Company may grant options to any employees (including directors) of the Company or its subsidiaries as incentive or rewards for their contribution to the Group to subscribe for the H Shares in the Company for a non-refundable consideration of HK$1 for each lot of share options granted payable on acceptance of the option offer. The Share Option Scheme will remain valid for a period of ten years commencing on the date it becomes unconditional. Options granted are exercisable at any time not more than ten years from the date of grant of the options. The subscription price is not less than the higher of (a) the closing price of the Company's H Shares as quoted on the date of the grant of the options, (b) the average closing prices of the Company's H Shares for the five business days immediately proceeding the date of the grant of the options and (c) the nominal value of the H Shares. However, for employees who are PRC national and have taken up any options to subscribe for the Company's H Shares, they shall not be entitled to exercise the options until:

(1) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC national from subscribing for and dealing in H Shares or any laws and regulations with similar effects have been abolished or removed; and

(2) The CSRC or other relevant government authorities in the PRC have approved the new issue of H Shares upon the exercise of any options which may be granted under the Share Option Scheme.

The total number of H Shares subject to the Share Option Scheme and other share option schemes must not, in aggregate, exceed 30% of H Shares of the Company (or its subsidiaries) in issue from time to time.

The total number of H Shares available for issue under options granted under the Share Option Scheme and any other scheme must not, in aggregate, exceed 10% of the number of the H Shares of the Company (or its subsidiaries) in issue as of the date of approval of the Share Option Scheme. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit, provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before such approval in sought.

No option had been granted by the Company under the Share Option Scheme since its adoption.

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 year ended 31 December 2004.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Company's Articles of Association.

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 December 2004.

Pursuant to the sponsor agreement dated 24 April, 2002 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi sponsor agreement has expired at 31 December 2004, the Company has not yet made decision as to the necessity on continual appointment of any sponsors.

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 three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu whereas Mr. Gu Yu Lin is the chairman. In the period, the audit committee reviewed the first quarterly report, half-year report, the third quarterly report and the annual report of the Group.

BOARD PRACTICES AND PROCEDURES

During the year, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules which applied before the amendments to the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report which took effect on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31 December 2005.

AUDITORS

During the year, Messrs. Nelson Wheeler resigned as auditors of the Group. On 26 October 2004, the Group appointed KLL Associates CPA Limited as auditors of the Group to fill the causal vacancy and to hold office until the conclusion of the forthcoming annual general meeting.

A resolution for the re-appointment of auditors for the year 2005 will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chen Ping
Chairman

23 March 2005
Hangzhou, the PRC

The Supervisor Committee is pleased to present the annual report for the year of 2004.

SUPERVISORY COMMITTEE OPERATION REVIEW

The Company convoked the extraordinary general meeting to appoint five supervisors on 30 September 2004, our company has already signed service contract with each supervisor. The contract term is three years for all. In the period, the supervisors of the Company convoked meeting four times, examined quarterly operating results and the audited annual financial statements respectively. In the same period, the Committee has seated in every meeting of board of directors (the "Board").

In the period, the Supervisory Committee has examined the legitimacy and validity, pursuant to the investiture of the shareholders' meeting and Articles of Association, upon convocation and voting procedures of meetings of the Board. They inspected whether the resolutions passed by Board correspond with the PRC laws and the stipulations of Articles of Association or not, and adduced feasible proposals. The Supervisory Committee considered that the convocation and the voting procedures of the Board meetings correspond with the PRC laws and Articles of Association. The shareholders' meeting's resolution can be executed effectively. The Supervisory Committee can obtain the respect and its suggestions were accepted.

FINANCIAL POSITION OF COMPANY

In the period, the Supervisory Committee has supervised and inspected the operating results of the Company. It is considered that the report issued by the auditors presents truly, precisely and fairly the operating results of the Group. The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards and the PRC Accounting Regulations, and has compiled with PRC statutory regulations correlated with accounting matters.

INTEGRITY OF AVOCATION OF DIRECTORS AND SENIOR MANAGEMENT

In the period, the Supervisory Committee executed its obligations and supervised on the integrity of avocation of the Board and senior management, in order to raise the Board's and senior management's onus to perform their duties with good faith and due diligence, and avoid the operational risk incurable to the Group because of the personal fault.

During the period, the Supervisory Committee inspected that the Board and the managers did not violate China laws, regulations, and Articles of Association when executing their duties, and no occurrence of impairment to shareholders' benefit either.

By order of the Supervisory Committee
Huo Zhong Hui
Chairman of the Supervisory Committee

23 March 2005
Hangzhou, the PRC

Report of the Auditors

KLL ASSOCIATES CPA LTD
華融會計師事務所有限公司
Suite 1303, Shanghai Ind. Investment Building
60 Hennessy Road, Wanchai, Hong Kong

TO THE SHAREHOLDERS OF
ZHEDA LANDE SCITECH LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Zheda Lande Scitech Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of 31 December 2004 and the related consolidated income and cash flow statements for the year then ended, and the balance sheet of the Company as of 31 December 2004. These financial statements set out on pages 29 to 70 are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2004, and the results of the operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and comply with the disclosure requirements of the Hong Kong Companies Ordinance.

KLL Associates CPA Limited
Certified Public Accountants (Practising)
Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 23 March 2005

Consolidated Income Statement

For year ended 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	4	**185,639**	164,551
Cost of sales		**(129,517)**	(117,464)
Gross profit		**56,122**	47,087
Other operating income	5	**1,351**	4,427
Distribution expenses		**(10,067)**	(12,290)
Administrative expenses		**(27,101)**	(18,095)
Other operating expenses		**(370)**	(1,077)
Profit from operations	6	**19,935**	20,052
Finance costs, net	9	**(4,247)**	(2,323)
Share of losses of associates		**(1,558)**	(542)
Profit before taxation and minority interests		**14,130**	17,187
Taxation	10	**(3,609)**	(785)
Profit before minority interests		**10,521**	16,402
Minority interests		**(225)**	(4,162)
Net profit attributable to shareholders		**10,296**	12,240
Proposed final dividends	11	**–**	3,396
Earnings per share	12		
Basic		**RMB0.030**	RMB0.036

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**7,606**	8,111
Intangible assets	*14*	**11,895**	4,780
Interests in associates	*16*	**7,827**	4,949
Long-term prepayments		**396**	418
		27,724	18,258
Current assets			
Inventories	*17*	**10,062**	9,538
Contract work in progress		**14,743**	22,230
Trade receivables	*18*	**103,340**	60,549
Prepayments and other receivables	*19*	**90,617**	56,584
Pledged bank deposits	*20*	**11,020**	11,619
Bank balances and cash		**39,804**	82,912
		269,586	243,432
Current liabilities			
Trade payables and notes payables	*21*	**44,672**	36,216
Receipt in advance from customers		**10,060**	8,507
Other payables and accruals		**13,536**	1,752
Taxation		**3,245**	863
Short-term borrowings	*22*	**66,500**	65,000
		138,013	112,338
Net current assets		**131,573**	131,094
Total assets less current liabilities		**159,297**	149,352
Non-current liabilities			
Minority interests		**9,768**	6,723
Net assets		**149,529**	142,629
Capital and reserves			
Share capital	*23*	**33,958**	33,958
Reserves		**115,571**	108,671
		149,529	142,629

The financial statements on pages 29 to 70 were approved and authorised for issue by the board of directors on 23 March 2005 and are signed on its behalf by:

CHEN PING
Director

XUE SHI CHENG
Director

Balance Sheet

At 31 December 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**4,629**	5,095
Intangible assets	*14*	**11,895**	4,780
Interests in subsidiaries	*15*	**58,410**	43,930
Interests in associates	*16*	**4,022**	4,949
Long-term prepayments		**396**	418
		79,352	59,172
Current assets			
Inventories	*17*	**2,297**	1,915
Contract work in progress		**14,098**	22,165
Trade receivables	*18*	**88,361**	40,094
Prepayments and other receivables	*19*	**55,293**	34,537
Pledged bank deposits	*20*	**5,020**	11,619
Bank balances and cash		**29,911**	71,578
		194,980	181,908
Current liabilities			
Trade payables and notes payables	*21*	**35,226**	34,559
Receipt in advance from customers		**9,210**	7,950
Other payables and accruals		**11,058**	343
Taxation		**2,809**	599
Short-term borrowings	*22*	**66,500**	55,000
		124,803	98,451
Net current assets		**70,177**	83,457
Net assets		**149,529**	142,629
Capital and reserves			
Share capital	*23*	**33,958**	33,958
Reserves	*24*	**115,571**	108,671
		149,529	142,629

The financial statements on pages 29 to 70 were approved and authorised for issue by the Board of Directors on 23 March 2005 and are signed on its behalf by:

CHEN PING
Director

XUE SHI CHENG
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'000	Retained earnings RMB'000	Proposed final dividends RMB'000	Total RMB'000
			(Note 24(a))	*(Note 24(b))*	*(Note 24(c))*		
At 1 January 2003	33,958	71,988	2,677	1,991	19,775	–	130,389
Net profit for the year	–	–	–	–	12,240	–	12,240
Proposed final dividends	–	–	–	–	(3,396)	3,396	–
Profit appropriations	–	–	2,042	1,021	(3,063)	–	–
At 31 December 2003	33,958	71,988	4,719	3,012	25,556	3,396	142,629
Net profit for the year	–	–	–	–	10,296	–	10,296
Final dividends paid	–	–	–	–	–	(3,396)	(3,396)
Profit appropriations	–	–	1,290	645	(1,935)	–	–
At 31 December 2004	**33,958**	**71,988**	**6,009**	**3,657**	**33,917**	**–**	**149,529**

Consolidated Cash Flow Statement

Year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**14,130**	17,187
Adjustments for:		
Interest expenses	**4,562**	3,100
Interest income	**(363)**	(830)
Depreciation of property, plant and equipment	**2,292**	2,462
Amortisation of intangible assets	**4,245**	2,324
Impairment loss of intangible assets	**–**	300
Provision for bad and doubtful debts	**–**	2,589
Share of losses of associates	**1,558**	542
Gain on disposal of an associate	**(100)**	–
Loss on disposal of property, plant and equipment	**24**	3
Loss on disposal of a subsidiary	**–**	547
Operating profit before working capital changes	**26,348**	28,224
Increase in inventories	**(524)**	(2,915)
Decrease/(increase) in contract work in progress	**7,487**	(18,990)
Increase in trade receivables	**(42,791)**	(6,103)
Increase in prepayments and other receivables	**(31,033)**	(10,835)
Decrease in long term prepayment	**22**	–
Increase in trade payables and notes payables	**8,456**	11,595
Increase/(decrease) in receipt in advance from customers	**1,553**	(6,263)
Increase/(decrease) in other payables and accruals	**9,784**	(5,235)
Cash used in operations	**(20,698)**	(10,522)
Interest income received	**363**	830
Interest expenses paid	**(4,562)**	(3,100)
Taxation refund	**–**	181
Taxation paid	**(1,227)**	(2,782)
Net cash outflow from operating activities	**(26,124)**	(15,393)
INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment and intangible assets	**(13,323)**	(6,026)
Decrease in pledged bank deposits	**599**	22,743
Due from associates	**(436)**	(1,091)
Investments in an associate	**(2,000)**	(4,400)
Proceeds from disposal of an associate	**100**	–
Proceeds from disposal of property, plant and equipment	**152**	336
Disposal of a subsidiary	**–**	2,373
Net cash (outflow)/inflow from investing activities	**(14,908)**	13,935

Consolidated Cash Flow Statement

Year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
FINANCING ACTIVITIES		
Drawdown of bank borrowings	**206,000**	135,000
Repayment of bank borrowings	**(204,500)**	(80,000)
Dividend paid to minority shareholders	**(180)**	(90)
Final dividends paid	**(3,396)**	–
Capital injection from minority shareholders on establishment of a subsidiary	**–**	1,325
Net cash (outflow)/inflow from financing activities	**(2,076)**	56,235
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(43,108)**	54,777
Cash and cash equivalents at beginning of year	**82,912**	28,135
CASH AND CASH EQUIVALENTS AT END OF YEAR	**39,804**	82,912
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**39,804**	82,912

1. GENERAL

Zheda Lande Scitech Limited (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. On 24 April 2002, the Company issued 112,125,000 overseas public shares ("H shares") which have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 May 2002.

The Company is principally engaged in the provision of telecommunication solutions, trading of hardware and computer software and investment holdings. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

The registered office of the Company is located at 4/F., No. 108 Gui Cui Road, Xihu District, Hangzhou, the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates based on management's best knowledge of current event and actions, actual results ultimately may differ from these estimates.

The International Accounting Standards Board has issued a number of new and revised IFRS and IAS ("new IFRS") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new IFRS in the financial statements for the year ended 31 December 2004. The Group has commenced an assessment of the impact of these new IFRS but is not yet in a position to state whether these new IFRS would have a significant impact on its results of operations and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December each year.

Subsidiaries are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are accounted for using the equity method of accounting in the Company's financial statements.

Associates

Associates are companies over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence.

Investments in associates are accounted for by the equity method of accounting in the financial statements of the Company and the Group. Under this method the Company's and the Group's share of post-acquisition profits or losses of associates is recognised in the income statement and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Foreign currencies translation

The Group maintains their books and records in RMB.

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on balance sheet date are recognised in the income statement.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. Intangible assets are amortised on a straight-line basis over their estimate useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. The Group's goodwill resulting from the acquisition of subsidiary or associate is amortised over five years on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(ii) Development/purchase cost of computer software

Development/purchase costs of identifiable and unique software products which can be measured reliably, controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recongised as intangible assets. The Group's computer software is amortised over three years on a straight-line basis. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight-line method to write off the cost of assets over their useful lives as follows:

Leasehold improvements	3 years
Motor vehicles	5 years
Office furniture, fixture and other equipments	5 years

Where the carrying amounts of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recongised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sales.

Contract work in progress

Contract work in progress comprises cost of raw materials, direct labour, other direct costs and related overheads incurred for telecommunication solutions contracts not yet completed at the balance sheet date.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefit costs

The Group contributes on a monthly basis to the retirement benefit schemes for the Group's employees to a government agency based on certain percentages of the standard salary set by the provincial government. The Group accounts for these contributions on the accrual basis.

The Group also provides housing fund, unemployment insurance and other welfare benefits for its employee based on certain percentage of the standard salary set by the provincial government. These staff welfare benefits are accounted for on the accrual basis.

Provision and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Operating leases

Leases are classified as operating leases whenever substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor.

Lease payments under operating leases are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of incentive on operating leases is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the developments costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Revenue recognition

Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Income from provision of telecommunication solutions

Income from provision of telecommunication solutions is recognised based on the stage of completion. The stage of completion is determined by making reference to testing criteria as certified by the customers. When the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Trading of hardware and computer software

Revenue is recognised when the significant risks and rewards of ownership of the goods are transferred to the customers, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

(iv) Subsidy income

Subsidy income is recognised upon cash receipt.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segmental information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-bearing borrowings, corporate assets and corporate liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Segment capital expenditure includes property, plant and equipment and intangible assets.

3. FINANCIAL INSTRUMENTS

(a) Credit risks

(i) Trade receivables

At 31 December 2004, the Group's trade receivables of approximately RMB103,340,000 (2003: RMB60,549,000) mainly represented trading balances due from customers in the telecommunication industry. The collectibility of these receivables may be adversely affected by economic changes in the telecommunication industry. Credit risks, or the risk of counterparties defaulting, are controlled by the Group's application of ongoing monitoring procedures.

(ii) Prepayments to suppliers

The Group is generally required by major customers to make prepayments to suppliers for the acquisitions of hardware and computer software in relation to telecommunication solutions contracts which are still under negotiation with these customers. At 31 December 2004, the Group's prepayments to suppliers of this nature amounted to approximately RMB22,013,000 (2003: RMB17,839,000). The recoverability of these balances may be adversely affected by non-execution of the relevant contracts because of changes in business practice and relationship previously built up with these major customers. Credit risks are controlled by agreeing refund clauses for goods or services ordered with the suppliers.

3. FINANCIAL INSTRUMENTS *(continued)*

(b) Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank loans. These loans bear interests at floating rates varied with the then prevailing market condition.

(c) Liquidity risk

The Group manages the liquidity risk by ensuring the availability of funding through an adequate amount of bank borrowings.

(d) Fair values

The fair values of the amounts with related parties and minority shareholders are not determinable due to the related party nature of the transactions. Apart from the foregoing, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the balance sheets approximate their respective net fair values.

4. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of related service, net of value-added tax ("VAT"), business tax, rebates and discounts, during the year, and after eliminating intra-Group transactions.

Segment information

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Primary reporting segment – business segment

The Group comprises the following main business segments:

(i) Provision of telecommunication solutions;

(ii) Trading of hardware and computer software;

(iii) Other related service which represents the provision of telecommunication value-added services.

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

(a) Primary reporting segment – business segment (continued)

	Provision of telecommunication solutions		Trading of hardware and computer software		Other related service		Consolidated	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000	**2004 RMB'000**	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
Segment turnover	**71,272**	71,394	**97,289**	84,148	**17,078**	9,009	**185,639**	164,551
Segment results	**23,969**	18,065	**15,199**	11,373	**6,887**	5,358	**46,055**	34,796
Unallocated revenue							**1,351**	4,427
Unallocated expenses							**(27,471)**	(19,171)
Profit from operations							**19,935**	20,052
Finance costs, net							**(4,247)**	(2,323)
Share of losses of associates							**(1,558)**	(542)
Profit before taxation and minority interests							**14,130**	17,187
Taxation							**(3,609)**	(785)
Minority interests							**(225)**	(4,162)
Net profit attributable to shareholders							**10,296**	12,240
Segment assets	**76,709**	102,984	**86,570**	55,075	**6,548**	2,930	**169,827**	160,989
Interests in associates							**5,329**	4,949
Unallocated assets							**122,154**	95,752
Total assets							**297,310**	261,690
Segment liabilities	**18,498**	6,204	**33,032**	8,801	**3,203**	894	**54,733**	15,899
Unallocated liabilities							**83,280**	96,439
Total liabilities							**138,013**	112,338
Other segment information:								
Capital expenditure	**12,568**	2,494	**120**	2,933	**635**	599	**13,323**	6,026
Provision for bad and doubtful debts	**–**	1,259	**–**	1,330	**–**	–	**–**	2,589
Depreciation	**1,498**	1,918	**581**	513	**213**	31	**2,292**	2,462
Amortisation	**4,245**	2,324	**–**	–	**–**	–	**4,245**	2,324

4. TURNOVER AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

(b) Secondary reporting segment – geographical segment

The Group operates within one geographical segment, namely the PRC. Accordingly, no geographical segment information is presented.

5. OTHER OPERATING INCOME

	Group	
	2004	2003
	RMB'000	RMB'000
Subsidy income		
Net VAT refund *(Note)*	**620**	4,123
Commission income	**605**	–
Gain on disposal of an associate	**100**	–
Other income	**26**	304
	1,351	4,427

Note:

Pursuant to Guo Fa【2000】No. 18 issued by the State Council, the Company is subject to VAT at a rate of 17% on sales of self-developed software, and is granted VAT refund of the amount of actual tax burden exceeding 3% on sales of self-developed software. VAT refund is recorded as income upon receipt.

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging the following:

	Group	
	2004	2003
	RMB'000	RMB'000
Amortisation of intangible assets	**4,245**	2,324
Depreciation of property, plant and equipment	**2,292**	2,462
Impairment loss of intangible assets	**–**	300
Loss on disposals of property, plant and equipment	**24**	3
Loss on disposal of a subsidiary	**–**	547
Research and development costs	**330**	2,065
Operating lease rental for office premises	**1,749**	2,404
Cost of inventories sold	**129,517**	117,464
Provision for bad and doubtful debts	**–**	2,589
Auditors' remuneration	**322**	387
Staff costs (excluding directors' and supervisors' emoluments)		
Wages and salaries	**6,608**	9,755
Provision for staff welfare benefits	**677**	1,396
Contribution to retirement benefits scheme	**2,970**	758
	10,255	11,909

7. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

Details of the emoluments of the directors and supervisors of the Company were as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Fees	**20**	20
Salaries, allowances and benefits in kind	**695**	863
Contribution to retirement benefits schemes	**12**	36
	727	919

7. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES *(continued)*

During the year ended 31 December 2004, the six executive directors received emoluments of approximately Nil (2003: RMB286,000), RMB250,000 (2003: RMB250,000), RMB200,000 (2003: RMB200,000), RMB40,000 (2003: RMB40,000), RMB80,000 (2003: Nil) and RMB20,000 (2003: RMB20,000) respectively and the four independent non-executive directors received emoluments of approximately Nil (2003: RMB20,000), RMB10,000 (2003: RMB10,000), RMB10,000 (2003: Nil) and RMB10,000 (2003: RMB10,000) respectively. Seven supervisors received emoluments of approximately Nil (2003: RMB42,727), Nil (2003: RMB6,000), RMB3,000 (2003: RMB3,000), RMB3,000 (2003: RMB3,000), RMB56,000 (2003: Nil), RMB42,000 (2003: Nil) and RMB3,000 (2003: Nil).

No directors or supervisors waived any emoluments for the year ended 31 December 2004.

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

The number of directors and supervisors whose remuneration fell within the following band is as follows:

	2004	2003
Nil to RMB1,000,000	**13**	13

8. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid individuals (including directors, supervisors and employees) were as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Fees	**20**	20
Salaries, allowances and benefit in kind	**780**	900
Contribution to retirement benefits schemes	**12**	72
	812	992

The five individuals whose emoluments were the highest in the Group (including directors, supervisors and employees) were as follows:

	Number	
	2004	2003
Directors	**2**	3
Employees	**3**	2
Nil to RMB1,000,000	**5**	5

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to joining the Group, or as compensation for loss of office.

9. FINANCE COSTS, NET

	Group	
	2004	2003
	RMB'000	RMB'000
Interest expenses on bank borrowings	**4,562**	3,100
Interest income	**(363)**	(830)
Others	**48**	53
	4,247	2,323

10. TAXATION

	Group	
	2004	2003
	RMB'000	RMB'000
Enterprise income taxes ("EIT")		
– Current taxation	**4,408**	981
– Overprovision in prior years	**(799)**	(196)
	3,609	785

The Company was subject to EIT at a rate of 15% for the year ended 31 December 2004. The Company was approved and classified as a State Key Software Enterprise and subject to EIT at a rate of 10% for the year ended 31 December 2003.

In accordance with the relevant PRC income tax rules and regulations, and approval given by local tax bureau, majority of the Company's subsidiaries are exempt from EIT and other subsidiaries are taxed at the statutory rate of 33% of their respective assessable income for the year ended 31 December 2004.

The taxation charge for the year reconciled to the profit per the income statement is as follows:

	Group	
	2004	2003
	RMB'000	RMB'000
Profit before taxation	**14,130**	17,187
Tax at the domestic income tax rate of 15% (2003: 10%)	**2,120**	1,719
Tax effect of expenses that are not deductible in determining taxable profit	**1,121**	678
Tax effect of income that is not taxable in determining taxable profit	**(181)**	(683)
Tax effect of tax losses not recognised	**716**	–
Tax effect of different tax rates of subsidiaries	**632**	(733)
Overprovision in previous year	**(799)**	(196)
Taxation for the year	**3,609**	785

11. DIVIDENDS

	Group	
	2004	2003
	RMB'000	RMB'000
Proposed final dividends – Nil (2003: RMB0.01) per share	**–**	3,396

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	2004	2003
Net profit attributable to shareholders (RMB'000)	**10,296**	12,240
Weighted average number of ordinary shares in issue (thousands)	**339,577**	339,577
Basic earnings per share (RMB)	**0.030**	0.036

Diluted earnings per share are not presented because no potential dilutive shares existed during the year.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2004			
	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipments RMB'000	Total RMB'000
Cost				
At 1 January 2004	2,698	2,458	7,799	12,955
Additions	776	299	888	1,963
Disposals	–	(183)	(102)	(285)
At 31 December 2004	3,474	2,574	8,585	14,633
Depreciation				
At 1 January 2004	2,131	694	2,019	4,844
Provided for the year	444	263	1,585	2,292
Eliminated on disposals	–	(77)	(32)	(109)
At 31 December 2004	2,575	880	3,572	7,027
Net book value				
At 31 December 2004	899	1,694	5,013	7,606
At 1 January 2004	567	1,764	5,780	8,111

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

GROUP

	2003			
	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipments RMB'000	Total RMB'000
Cost				
At 1 January 2003	2,398	2,148	4,369	8,915
Additions	300	310	3,916	4,526
Disposals	–	–	(486)	(486)
At 31 December 2003	2,698	2,458	7,799	12,955
Depreciation				
At 1 January 2003	1,262	310	957	2,529
Provided for the year	869	384	1,209	2,462
Eliminated on disposals	–	–	(147)	(147)
At 31 December 2003	2,131	694	2,019	4,844
Net book value				
At 31 December 2003	567	1,764	5,780	8,111
At 1 January 2003	1,136	1,838	3,412	6,386

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

COMPANY

	2004			
	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipments RMB'000	Total RMB'000
Cost				
At 1 January 2004	2,689	2,138	4,458	9,285
Additions	776	–	432	1,208
Disposals	–	(183)	(102)	(285)
At 31 December 2004	3,465	1,955	4,788	10,208
Depreciation				
At 1 January 2004	2,122	611	1,457	4,190
Provided for the year	444	195	859	1,498
Eliminated on disposals	–	(77)	(32)	(109)
At 31 December 2004	2,566	729	2,284	5,579
Net book value				
At 31 December 2004	899	1,226	2,504	4,629
At 1 January 2004	567	1,527	3,001	5,095

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

COMPANY

	2003			
	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipments RMB'000	Total RMB'000
Cost				
At 1 January 2003	2,389	1,958	3,119	7,466
Additions	300	180	1,360	1,840
Disposals	–	–	(21)	(21)
At 31 December 2003	2,689	2,138	4,458	9,285
Depreciation				
At 1 January 2003	1,254	290	730	2,274
Provided for the year	868	321	729	1,918
Eliminated on disposals	–	–	(2)	(2)
At 31 December 2003	2,122	611	1,457	4,190
Net book value				
At 31 December 2003	567	1,527	3,001	5,095
At 1 January 2003	1,135	1,668	2,389	5,192

14. INTANGIBLE ASSETS

GROUP AND COMPANY

	2004			
	Goodwill RMB'000	Computer software RMB'000	Self-developed software RMB'000	Total RMB'000
Cost				
At 1 January 2004	246	9,274	–	9,520
Additions	–	–	11,360	11,360
At 31 December 2004	246	9,274	11,360	20,880
Amortisation				
At 1 January 2004	52	4,688	–	4,740
Provided for the year	49	2,303	1,893	4,245
At 31 December 2004	101	6,991	1,893	8,985
Net book value				
At 31 December 2004	145	2,283	9,467	11,895
At 1 January 2004	194	4,586	–	4,780

14. INTANGIBLE ASSETS *(continued)*

GROUP AND COMPANY

	2003		
	Goodwill RMB'000	Computer software RMB'000	Total RMB'000
Cost			
At 1 January 2003	546	7,774	8,320
Additions	–	1,500	1,500
Impairment loss of goodwill	(300)	–	(300)
At 31 December 2003	246	9,274	9,520
Amortisation			
At 1 January 2003	27	2,389	2,416
Provided for the year	25	2,299	2,324
At 31 December 2003	52	4,688	4,740
Net book value			
At 31 December 2003	194	4,586	4,780
At 1 January 2003	519	5,385	5,904

15. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	RMB'000	RMB'000
Unlisted investments, at cost	**37,959**	20,459
Share of post-acquisition profits	**6,743**	8,405
Due from subsidiaries	**14,622**	15,859
Due to a subsidiary	**(914)**	(793)
	58,410	43,930

The balances with subsidiaries are unsecured, interest-free and are not repayable within twelve months.

The Company's directors are of the opinion that the underlying value of the subsidiaries was not less than the Company's carrying value of the subsidiaries as of the end of the year.

Particulars of the subsidiaries as at 31 December 2004 are as follows:

Name	Place of establishment and operations	Percentage of equity attributable to the Company		Paid-in capital	Principal activities
		Direct	Indirect		
Chengdu Lande E & I Technology Company Limited 成都蘭德電子信息技術有限公司	PRC	55%	–	RMB1,000,000	Provision of telecommunication solutions and trading of hardware and computer software
Hangzhou Trust Communication Service Company Limited ("Hangzhou Trust") 杭州群思特通信服務有限公司	PRC	55%	–	RMB1,000,000	Provision of telecommunication solutions and trading of hardware and computer software

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of establishment and operations	Percentage of equity attributable to the Company		Paid-in capital	Principal activities
		Direct	Indirect		
Zhejiang Lande Xinyi Information Technology Company Limited ("Lande Xinyi") 浙江蘭德新易信息技術有限公司	PRC	82%	–	RMB5,000,000	Provision of telecommunication solutions and trading of hardware and computer software
Guangzhou Landi Electronics Information Technology Company Limited 廣州市蘭笛電子信息技術有限公司	PRC	67%	–	RMB1,500,000	Provision of telecommunication solutions and trading of hardware and computer software
Zhejiang Sichuang Information Technology Company Limited ("Sichuang") *(Note (a))* 浙江思創信息技術有限公司	PRC	90%	–	RMB30,000,000	Provision of telecommunication solutions and trading of hardware and computer software
Hefei Lande Tong Ling Technology Limited ("Hefei Lande") 合肥蘭德通靈科技有限公司	PRC	75%	–	RMB2,000,000	Provision of telecommunication solutions and trading of hardware and computer software
Zhejiang Lande Congheng Network Service Company Limited ("Lande Congheng") 浙江蘭德縱橫網絡技術有限公司	PRC	70%	18%	RMB5,000,000	Provision of telecommunication solutions and trading of hardware and computer software

Note:

(a) The registered capital of Sichuang was increased from RMB10,000,000 to RMB30,000,000 on 29 September 2004. The Company's equity interest was increased from RMB9,500,000 to RMB27,000,000.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
Unlisted investments, at cost	**5,770**	4,760	**4,400**	4,760
Unamortised goodwill arising on acquisition of an associate	**2,498**	–	**–**	–
Share of post-acquisition losses	**(1,968)**	(664)	**(1,905)**	(664)
Impairment losses	**–**	(238)	**–**	(238)
Due from associates	**1,527**	1,091	**1,527**	1,091
	7,827	4,949	**4,022**	4,949

The amounts due from associates are unsecured, interest-free and are not repayable within twelve months.

Details of the associates at 31 December 2004 were as follows:

Name	Place of establishment	Percentage of equity attributable to the Company	Paid-in capital	Principal activities
Guangzhou Lande Information and Technology Company Limited 廣東蘭德科技發展有限公司	PRC	40%	RMB5,000,000	Development of computer applications and trading of computer hardware
Shanghai Haigang Communication Technology Company Limited 上海海港通信技術有限公司	PRC	30%	RMB8,000,000	Trading of electronic products, computer hardware and telecommunication network products
Hangzhou Yintong Digital Communication Technology Company Limited ("Hangzhou Yintong") 杭州銀通數碼信息技術有限公司	PRC	39.60%	RMB4,000,000	Development of computer applications and trading of computer hardware

17. INVENTORIES

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Computer software and hardware, at cost	**10,062**	9,538	**2,297**	1,915

18. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than one year	**88,045**	50,113	**76,116**	29,676
Over one year but less than two years	**13,467**	8,829	**10,434**	8,811
Over two years but less than three years	**2,376**	3,214	**2,359**	3,214
Over three years	**5,858**	4,799	**5,858**	4,799
	109,746	66,955	**94,767**	46,500
Provision for bad and doubtful debts	**(6,406)**	(6,406)	**(6,406)**	(6,406)
	103,340	60,549	**88,361**	40,094

There were no specific credit terms granted to the customers. Provision is made for doubtful debts based on reviews of the status of individual accounts receivable outstanding.

19. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayment to suppliers	**22,013**	17,839	**11,325**	13,739
Due from third parties	**48,336**	21,309	**30,039**	12,074
Due from related parties *(Note 27(b))*	**10,329**	11,500	**7,070**	4,500
Due from minority shareholders *(Note 27(b))*	**3,379**	609	**3,000**	609
Advances to employees	**2,517**	1,507	**–**	921
Others	**4,043**	3,820	**3,859**	2,694
	90,617	56,584	**55,293**	34,537

The amounts due from third parties are unsecured, interest-free and have no fixed repayment terms.

20. PLEDGED BANK DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Pledged bank deposits	**11,020**	11,619	**5,020**	11,619

At 31 December 2004, pledged bank deposits of RMB5,020,000 (2003: RMB11,619,000) was pledged as security for the Company's notes payables facilities and RMB6,000,000 (2003: Nil) was pledged to bank for granting back facilities to a related company, Hangzhou Yixun Information Technology Company Limited (杭州奕訊信息技術有限公司), in which Mr. Chen Wei, an executive president of the Company, has beneficial interests.

21. TRADE PAYABLES AND NOTES PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	Group		Company	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
Less than one year	**44,282**	35,850	**34,992**	34,193
Over one year but less than two years	**390**	366	**234**	366
	44,672	36,216	**35,226**	34,559

22. SHORT-TERM BORROWINGS

	Group		Company	
	2004 RMB'000	2003 RMB'000	**2004 RMB'000**	2003 RMB'000
Guaranteed bank loans	**40,000**	20,000	**40,000**	20,000
Unsecured bank loans	**26,500**	45,000	**26,500**	35,000
	66,500	65,000	**66,500**	55,000

At 31 December 2004, guaranteed bank loan of RMB20,000,000 (2003: RMB20,000,000) was guaranteed by Tong He Investment Company Limited (通和置業投資有限公司), a subsidiary of a corporate shareholder of the Company and RMB20,000,000 (2003: Nil) was guaranteed by Zhejiang University Innovation Information Holdings Company Limited (浙江浙大網新信息控股有限公司), a minority shareholder of the Company.

23. SHARE CAPITAL

At 31 December 2004, the details of the Company's share capital were as follows:

	Number of shares (in thousands)		Amount	
	2004	2003	**2004 RMB'000**	2003 RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.10 each held by promoters	**227,452**	227,452	**22,745**	22,745
Overseas public shares ("H" shares) with par value of RMB0.10 each	**112,125**	112,125	**11,213**	11,213
	339,577	339,577	**33,958**	33,958

24. RESERVES

COMPANY

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'000	Retained earnings RMB'000	Proposed final dividends RMB'000	Total RMB'000
		(Note (a))	*(Note (b))*	*(Note (c))*		
At 1 January 2003	71,988	2,894	1,447	20,102	–	96,431
Net profit for the year	–	–	–	12,240	–	12,240
Proposed final dividends	–	–	–	(3,396)	3,396	–
Profit appropriations	–	1,224	612	(1,836)	–	–
At 31 December 2003	71,988	4,118	2,059	27,110	3,396	108,671
Net profit for the year	–	–	–	10,296	–	10,296
Final dividends paid	–	–	–	–	(3,396)	(3,396)
Profit appropriations	–	1,030	514	(1,544)	–	–
At 31 December 2004	**71,988**	**5,148**	**2,573**	**35,862**	**–**	**115,571**

(a) Statutory surplus reserve

In accordance with the Company Law in the PRC and the articles of association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

For the year ended 31 December 2004, the directors of the Company have recommended that 10% (2003: 10%) of the profit for the year based on the management accounts prepared in accordance with PRC accounting regulations be appropriated to statutory surplus reserve.

24. RESERVES *(continued)*

(b) *Statutory public welfare reserve*

In accordance with the Company Law in the PRC and the articles of association of the Company and its subsidiaries, the Company and its subsidiaries are also required to appropriate 5%-10% of their annual statutory net profit (after offsetting any prior years' losses) to a statutory public welfare reserve to be utilised for employees' common welfare.

For the year ended 31 December 2004, the directors of the Company have recommended that 5% (2003: 5%) of the profit for the year based on the management accounts prepared in accordance with PRC accounting regulations be appropriated to this reserve.

The statutory public welfare reserve can only be utilised on capital items for the collective benefits of the Company and its subsidiaries employees such as construction of dormitories, canteen and other staff welfare facilities, with the title of these capital items remain with the Company and its subsidiaries. This fund is non-distributable other than in liquidation.

(c) *Retained earnings*

The distribution of dividends is made in accordance with the Company's articles of association and the recommendation of the Board of Directors and is subject to approval by shareholders in general meetings. Pursuant to the Notice【1995】31 issued by Ministry of Finance on 24 August 1995, the amount of profit available for distribution to the shareholders will be determined based on the lower of unappropriated profit in the financial statements of the Company determined in accordance with (i) PRC accounting standards and regulations, and (ii) IFRS.

At 31 December 2004, the Group's profit available for distribution to shareholders after transfer to reserves amounted to approximately RMB33,917,000 (2003: approximately RMB28,952,000).

25. DEFERRED TAX

At the balance sheet date, the Group has unused tax losses of RMB4,993,000 (2003: RMB222,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the above unused tax losses due to the unpredictability of future profits streams. The unrecognised tax losses will expire in five year's time.

The Company did not have any material unprovided deferred taxation for the year or at the balance sheet date.

26. DISPOSAL OF A SUBSIDIARY

The Company disposed its 55% equity interest in Shanghai Langang Communication Technology Company Limited during the year ended 31 December 2003. The net assets disposed were as follows:

	2004 RMB'000	2003 RMB'000
Net assets disposed:		
Inventories	–	91
Trade receivables	–	4,168
Prepayments and other receivables	–	1,728
Bank balances and cash	–	27
Accruals and other payables	–	(235)
Minority interests	–	(2,832)
	–	2,947
Loss on disposal	–	(547)
	–	2,400
Satisfied by:		
Cash consideration	–	2,400

Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2004 RMB'000	2003 RMB'000
Cash consideration received	–	2,400
Less: Cash and cash equivalents disposed	–	(27)
Net cash inflow	–	2,373

The subsidiary disposed of during the year ended 31 December 2003 made no significant contribution to the Group's cash flow, turnover or net profit attributable to shareholders for the year ended 31 December 2003.

27. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

	Name of related party	Nature of relationship
(i)	Hangzhou Yixun Information Technology Company Limited ("Hangzhou Yixun") 杭州奕訊信息技術有限公司	A vice president of the Company is the substantial shareholder, director and legal representative of Hangzhou Yixun
(ii)	Beijing Keyihui Technology Company Limited ("Beijing Keyihui") 北京科億匯科技有限公司	A vice president of the Company is the substantial shareholder of Beijing Keyihui
(iii)	Zhejiang Jinwei Electronic Technology Engineering Limited ("Zhejiang Jinwei") 浙江金威電子技術工程有限公司	Zhejiang Jinwei is a subsidiary of Zhejiang Qware Investment Company Limited, a shareholder of the Company
(iv)	Zhejiang University Qware Science Company Limited ("Qware Science") 浙江大學快威科技有限公司	Qware Science is a subsidiary of Zhejiang University Innovation Information Holdings Company Limited, a shareholder of the Company
(v)	Tong He Investment Company Limited ("Tong He") 通和置業投資有限公司	Tong He is a subsidiary of a corporate shareholder of the Company
(vi)	Zhejiang University Innovation Information Holdings Company Limited ("Zhejiang Innovation") 浙江浙大網新信息控股有限公司	Zhejiang Innovation is a minority corporate shareholder of the Company

27. RELATED PARTY TRANSACTIONS *(continued)*

(b) At 31 December 2004, amounts due from related parties and minority shareholders comprise:

	Group		Company	
	2004 **RMB'000**	2003 RMB'000	**2004** **RMB'000**	2003 RMB'000
Related parties *(Note 19)*				
Qware Science	**10,270**	–	**7,070**	–
Hangzhou Yixun	**59**	4,500	**–**	4,500
Beijing Keyihui	**–**	2,000	**–**	–
Zhejiang Jinwei	**–**	5,000	**–**	–
	10,329	11,500	**7,070**	4,500
Minority shareholders *(Note 19)*				
Minority Shareholders of Hefei Lande	**–**	9	**–**	9
Minority shareholders of Lande Xinyi	**348**	600	**–**	600
Minority shareholders of Sichuang	**3,000**	–	**3,000**	–
Minority shareholders of Hangzhou Trust	**31**	–	**–**	–
	3,379	609	**3,000**	609

The amounts due from related parties and minority shareholders are unsecured, interest-free and have no fixed repayment terms.

27. RELATED PARTY TRANSACTIONS *(continued)*

(c) Advances to related parties and minority shareholders during the year are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Related parties				
Qware Science	**16,800**	20,000	**13,000**	20,000
Hangzhou Yixun	**59**	4,500	**–**	4,500
Beijing Keyihui	**–**	2,000	**–**	–
Zhejiang Jinwei	**–**	5,000	**–**	–
	16,859	31,500	**13,000**	24,500
Minority shareholders				
Minority shareholders of Lande Xinyi	**350**	600	**–**	600
Minority shareholders of Sichuang	**3,500**	–	**3,500**	–
Minority shareholders of Hangzhou Trust	**204**	–	**–**	–
	4,054	600	**3,500**	600

27. RELATED PARTY TRANSACTIONS *(continued)*

(d) Guarantee given by a related party

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Corporate guarantee given by Zhejiang Innovation in respect of a bank loan granted to the Group *(Note 22)*	**20,000**	–	**20,000**	–
Corporate guarantee given by Tong He in respect of a bank loan granted to the Group *(Note 22)*	**20,000**	20,000	**20,000**	20,000
	40,000	20,000	**40,000**	20,000

28. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2004.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. Total future minimum lease payments under non-cancellable operating leases at 31 December 2004 for office premises of the Group are as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**839**	297	**737**	–
In the second to fifth years, inclusive	**–**	62	**–**	–
	839	359	**737**	–

RESULTS

	Year ended 31 December				
	2004	2003	2002	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**185,639**	164,551	95,458	63,890	23,151
Cost of sales	**(129,517)**	(117,464)	(61,540)	(36,274)	(17,047)
Gross profit	**56,122**	47,087	33,918	27,616	6,104
Other operating income	**1,351**	4,427	2,673	–	–
Distribution expenses	**(10,067)**	(12,290)	(5,858)	(2,842)	(1,671)
Administrative expenses	**(27,101)**	(18,095)	(13,462)	(6,766)	(2,274)
Other operating expenses	**(370)**	(1,077)	(96)	(15)	(10)
Profit from operations	**19,935**	20,052	17,175	17,993	2,149
Finance (costs)/income, net	**(4,247)**	(2,323)	(1,104)	(198)	9
Share of losses of associates	**(1,558)**	(542)	–	(307)	(53)
Profit before taxation and minority interests	**14,130**	17,187	16,071	17,488	2,105
Taxation	**(3,609)**	(785)	(2,847)	(2,987)	(326)
Profit before minority interests	**10,521**	16,402	13,224	14,501	1,779
Minority interests	**(225)**	(4,162)	(1,704)	338	24
Net profit for the year	**10,296**	12,240	11,520	14,839	1,803
Earning per share – Basic	**RMB0.030**	RMB0.036	RMB0.038	RMB0.065	RMB0.008

Financial Summary

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2003	2002	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**297,310**	261,690	193,839	69,311	25,270
Total liabilities	**(138,013)**	(112,338)	(59,292)	(33,093)	(21,442)
Minority interests	**(9,768)**	(6,723)	(4,158)	(550)	(201)
Shareholders' funds	**149,529**	142,629	130,389	35,668	3,627

Note:

The results of the Group for each of the two years ended 31 December 2001 and the assets and liabilities of the Group as at 31 December 2000 and 2001 were prepared based on the accountant's report contained in the Company's prospectus dated 24 April 2002.

NOTICE IS HEREBY GIVEN that an annual general meeting (the "**Annual General Meeting**") of Zheda Lande Scitech Limited (the "**Company**") will be held at 1/F-3/F, Block 3, 108 Gu Cui Road, Hangzhou City, the People's Republic of China (the "**PRC**") on Friday, 20 May 2005 at 2:00 p.m. for the following purposes:

1. To pass the following matters as ordinary resolutions:

   (1) To consider and approve the Report of the Directors for the year 2004;

   (2) To consider and approve the Report of the Supervisory Committee for the year 2004;

   (3) To consider and approve the Audited Consolidated Financial Statements of the Company and its subsidiaries for the year 2004;

   (4) To consider and approve the appointment of the auditors of the Company and to authorise the board of directors to fix their remunerations;

   (5) To consider and approve the Profit after Taxation Appropriation Plan and Final Dividend Distribution Plan for the year 2004;

   (6) To consider and approve the Financial Report for the year 2004 and the Financial Budget Report for the year 2005.

2. To pass the following matters as a special resolution:

   To consider and resolve that, subject to the approval of China Securities Regulatory Commission and/or other relevant statutory authorities in the PRC and/or the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited for the proposed issue of new H shares and/or the listing and dealing of Domestic Shares, the board of directors be authorised to:

   (1) to place and/or issue H Shares and/or Domestic Shares within a period until the conclusion of the next annual meeting or their resolution is revoked or varied in general meeting, whichever is the earliest, from the date of this resolution, provided that the total number of H shares and/or Domestic Shares to be placed and/or issued shall not exceed 20% (the "20% limit") of the number of H Shares and/or Domestic Shares of the Company in issue respectively;

   (2) subject to the 20% Limit, to decide the number of H Shares and/or Domestic Shares to be placed and/or issued and to deal with any matter arising from or related to the placing or issue of the new Shares mentioned above;

   (3) to amend, in accordance with the increase in the registered capital of the Company, the relevant articles contained in the Articles of Association in relation to the registered capital of the Company and other articles that require corresponding amendments; and

(4) if any chronological variation of the wordings or numbering of the articles contained in the Articles of Association of the Company is necessary upon application to the companies examination and approval authority by the State Council and China Securities Regulatory Commission for examination and approval, to make corresponding amendments to the Articles of Association as required by such authority and China Securities Regulatory Commission.

By order of the Board
Chen Ping
Chairman

31 March 2005, Hangzhou, the PRC

Registered office in the PRC:
4th Floor
108 Gu Cui Road
Hangzhou City
PRC

Place of business in Hong Kong:
Unit 1116-1119
Sun Hung Kai Center
30 Harbour Road
Wanchai
Hong Kong

Notes:

1. *A member entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.*

2. *To be valid, a form of H shares proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's H Share Registrar, Hong Kong Registrars Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the above meeting or appointed time of voting.*

3. *Shareholders or their proxies shall present proofs of identities upon attending the above meeting.*

4. *The Register of Members will be closed from 21 April 2005 to 20 May 2005 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend and to attend the above meeting all transfer documents accompanied by relevant share certificates must be lodged with the Company's H Share Registrar not later than 4:00 p.m. on 20 April 2004 in order to be registered as a member of the Company.*

5. *Shareholders entitled to attend the above meeting are requested to deliver the reply slip for attendance to the Company to be received by the Company 20 days before the date of meeting.*