

FIRST QUARTERLY REPORT 2005



ZDL
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)



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This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Zheda Lande Scitech Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

- Achieved a turnover of approximately RMB20,727,000 for the three months ended 31 March 2005, representing an approximately 26.23% decrease as compared with the turnover for the corresponding period in 2004.
- Accomplished a net profit of approximately RMB2,002,000, representing an approximately 32.27% decrease as compared with the net profit for the corresponding period in 2004.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005.

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the first quarterly report of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2005.

2005 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2005, the Group recorded an unaudited turnover of approximately RMB20,727,000, representing a decrease of approximately RMB7,371,000, or approximately 26.23%, as compared with the turnover of the same period in 2004.

For the three months ended 31 March 2005, the Group recorded an unaudited net profit of approximately RMB2,002,000, representing a decrease of approximately RMB954,000, or approximately 32.27% as compared with the net profit of the same period in 2004.

The unaudited results of the Group for the three months ended 31 March 2005 together with the unaudited comparative figures for the corresponding period in 2004 are as follows:

	Notes	For the three months ended 31 March	
		2005 RMB'000	2004 RMB'000
Turnover	2	20,727	28,098
Cost of sales		(9,339)	(18,038)
Gross profit		11,388	10,060
Distribution expenses		(2,571)	(1,708)
Administrative expenses		(5,637)	(3,960)
Other operating income (expenses), net		108	(75)
Profit from operations		3,288	4,317
Finance costs, net		(1,016)	(802)
Share of losses of associates		(143)	(11)
Profit before taxation and minority interests		2,129	3,504
Taxation	3	(575)	(526)
Profit before minority interests		1,554	2,978
Minority interests		448	(22)
Net profit attributable to shareholders		2,002	2,956
Earnings per share – Basic	4	RMB0.006	RMB0.009



Notes:

1. Basis of presentation

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 20 September 2001 and its H shares were listed on the GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002 (the "Prospectus").

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Turnover

	For the three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
Provision of telecommunications solutions		
– System integration	3,320	14,531
– Sales of self-developed software	7,412	752
	<u>10,732</u>	<u>15,283</u>
Trading of hardware and software	5,325	9,027
Other relevant services	4,670	3,788
	<u>20,727</u>	<u>28,098</u>

3. Taxation

	For the three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
PRC income tax	<u>575</u>	<u>526</u>

The Company has been classified as an Advanced Technology Enterprise by the Scientific Technology Committee of Zhejiang Province. As an Advanced Technology Enterprise incorporated in the National Advanced Technology Industry Development Area in Hangzhou, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 15%.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-33% in accordance with respective local tax laws and regulations.

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



4. Earnings per share

Earnings per share have been computed by dividing net profit for the three months ended 31 March 2005 of approximately RMB2,002,000 (2004: RMB2,956,000) by the number of 339,577,000 (2004: 339,577,000) shares in issue during the period.

Diluted earnings per share are not presented because of no potential diluted shares existed during the period.

5. Reserves

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2005 and 2004:

	For the three months ended 31 March	
	2005	2004
	RMB'000	RMB'000
Retained profits		
At 1 January	33,917	25,556
Net Profit attributable to shareholders	<u>2,002</u>	<u>2,956</u>
At 31 March	<u>35,919</u>	<u>28,512</u>



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005 (2004: Nil).

REVIEW OF THE FIRST QUARTER

FINANCIAL REVIEW

For the three months ended 31 March 2005, the Group recorded an unaudited turnover of approximately RMB20,727,000, representing a decrease of approximately RMB7,371,000 or approximately 26.23% as compared with the turnover of the same period in 2004.

For the three months ended 31 March 2005, the Group recorded an unaudited net profit of approximately RMB2,002,000, representing a decrease of approximately RMB954,000 or approximately 32.27% as compared with the net profit of the same period in 2004.

BUSINESS REVIEW

Product development

During the period, the Groups' two product pillars, the operational management support system and the business support system, had completed the upgrade of new versions which were based on J2EE. Having scored remarkable integrative testing result, the systems have been put forward to further business applications.

In the same period, regarding value-added services, the Group continued its development on WAP business and voice mail system. At the same time, the tests of mobile phone on-line games were smoothly run, which will be launched to the market soon. In the aspect of WAP operation, it was continuously developed and enriched, providing more interactive, resourceful and entertaining services such as exquisite photographs downloading, IQ question tags, song transmissions, etc.

Marketing and business development

During the period, the Company has won the tenders of management support system (MSS) for Tibet Unicom and Anhui Unicom, and entrepreneurial information system for Nei Mongol Mobile, etc. At the same time, based on the use of marketing strategy adjustment, the Group enlarged its development scope directly on those prioritized market objectives. Adjusting changes were also made for the Group's marketing channel system and market servicing framework. The Group will keep on its cooperation partnership with Zhejiang University and other famous business organizations such as IBM, Microsoft, HP, Hua Wei, etc.

Future prospects

For those products having traditional advantages, such as the management support system, operation support system, etc., the Group will keep the same leading position as before. The Group continues to concentrate its efforts in markets within its professional territory and intensify its cooperation with multi-national companies.

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

Save as disclosed below, as at 31 March 2005, 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 "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Type of interests	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
<i>Directors</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%
Chen Chun	Personal	Beneficial owner	4,094,130	1.21%

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

For the three months ended 31 March 2005, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 2005, 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.



SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principal terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in the Prospectus. Up to 31 March 2005, no option has been granted pursuant to such share option scheme.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 31 March 2005, 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	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Zhejiang Qware Information Technology Investment & Consulting Company Limited	Beneficial owner	34,117,800	10.05%
Beijing Guoheng High Technology Holding Co., Ltd.	Beneficial owner	34,117,800	10.05%
Zhejiang University Innovation Information Holdings Company Limited	Beneficial owner	34,117,800	10.05%
Shi Chu Hua	Beneficial owner	16,490,280	4.86%
Wu Zhong Hao	Beneficial owner	16,490,280	4.86%



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, and individual shareholders, Mr. Bao Shu Xin and Mr. Chen Guo Cai had 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) respectively. Pursuant to the agreements, the two corporate shareholders and individual shareholders agreed to sell and the Zhejiang University Innovation Technology Company Limited agreed to buy all Domestic Shares. The resolution for the transfer has been reviewed and approved by the Company in the Extraordinary General Meeting held on 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, Zhejiang University Innovation Technology Company Limited will be the largest shareholder by having 24.2% of beneficial interests in the Company's share capital. The application for approval is now under progress.

COMPETING INTERESTS

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

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 the GEM Listing Rules. The audit committee comprise 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. The first quarterly report of the Group for the three months ended 31 March 2005 has been reviewed by the Company's audit committee.



PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from 1 January 2005 to 31 March 2005.

On behalf of the Board

Chen Ping

Chairman

13 May 2005, Hangzhou, the PRC