



**ZDLID**  
**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)

Stock Code: 8106



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 GEM 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 RMB98,860,000 for the nine months ended 30 September 2006, representing an approximately 7.34% increase as compared with the turnover for the corresponding period in 2005.
- Accomplished a net profit of approximately RMB575,000, representing an approximately 91.45% decrease as compared with the net profit for the corresponding period in 2005.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006.

The board of directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30 September 2006.

## 2006 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2006, the Group recorded an unaudited turnover of approximately RMB98,860,000, representing an increase of approximately RMB6,758,000, or approximately 7.34 %, as compared with the turnover of the same period in 2005. For the three months ended 30 September 2006, the Group recorded an unaudited turnover of approximately RMB52,538,000, representing an increase of approximately RMB16,114,000, or approximately 44.24%, as compared with the turnover of the same period in 2005.

For the nine and three months ended 30 September 2006, the Group recorded an unaudited net profit of approximately RMB575,000 and RMB401,000 respectively.



The unaudited results of the Group for the nine and three months ended 30 September 2006 together with the unaudited comparative figures for the corresponding periods in 2005 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	2	<b>98,860</b>	92,102	<b>52,538</b>	36,424
Cost of sales		<b>(76,775)</b>	(62,886)	<b>(44,582)</b>	(26,679)
Gross profit		<b>22,085</b>	29,216	<b>7,956</b>	9,745
Distribution costs		<b>(6,572)</b>	(7,526)	<b>(2,195)</b>	(2,256)
Administrative expenses		<b>(14,811)</b>	(15,309)	<b>(3,743)</b>	(4,285)
Value-added tax refunds		<b>2,007</b>	3,951	–	166
Other operating (expenses)/income		<b>(243)</b>	385	<b>(409)</b>	35
Profit from operations		<b>2,466</b>	10,717	<b>1,609</b>	3,405
Finance costs, net		<b>(3,236)</b>	(2,982)	<b>(1,262)</b>	(649)
Share of profits/(losses) of associates		<b>3,398</b>	(68)	<b>610</b>	92
Profit before tax		<b>2,628</b>	7,667	<b>957</b>	2,848
Tax expense	3	<b>(987)</b>	(1,052)	<b>(221)</b>	(359)
Profit for the period		<b>1,641</b>	6,615	<b>736</b>	2,489
Attributable to:					
– Equity holders of the Company		<b>575</b>	6,722	<b>401</b>	2,414
– Minority interests		<b>1,066</b>	(107)	<b>335</b>	75
		<b>1,641</b>	6,615	<b>736</b>	2,489
Earnings per share					
– basic	4	<b>RMB0.002</b>	RMB0.020	<b>RMB0.001</b>	RMB0.007

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

	Nine months ended 30 September		Three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Provision of telecommunications solutions	20,272	53,534	9,772	17,942
Trading of hardware and software	47,642	17,477	27,320	7,535
Other related services	30,946	21,091	15,446	10,947
	<b>98,860</b>	<b>92,102</b>	<b>52,538</b>	<b>36,424</b>

### 3. Tax expense

	Nine months ended 30 September		Three months ended 30 September	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
PRC income tax	987	1,052	221	359

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 nine and three months ended 30 September 2006 of approximately RMB575,000 and approximately RMB401,000 (same periods in 2005: approximately RMB6,722,000 and approximately RMB2,414,000) by 339,577,000 shares (same period in 2005: 339,577,000 shares) in issue during the period.

No diluted earnings per share were presented for the nine and three months ended 30 September 2006 and 2005 as there was no potential dilutive securities in existence during the relevant periods.

#### 5. Reserves

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2006 and 2005:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>
At 1 January 2005	71,988	6,009	3,657	33,917
Net profit	–	–	–	4,308
At 30 June 2005	71,988	6,009	3,657	38,225
Net profit	–	–	–	2,414
At 30 September 2005	<u>71,988</u>	<u>6,009</u>	<u>3,657</u>	<u>40,639</u>
At 1 January 2006	71,988	6,910	3,657	4,668
Net profit	–	–	–	174
At 30 June 2006	71,988	6,910	3,657	4,842
Net profit	–	–	–	401
<b>At 30 September 2006</b>	<b><u>71,988</u></b>	<b><u>6,910</u></b>	<b><u>3,657</u></b>	<b><u>5,243</u></b>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (2005: Nil).

## REVIEW OF THE THIRD QUARTER

### Financial review

For the nine months ended 30 September 2006, the Group recorded an unaudited turnover of approximately RMB98,860,000, representing a growth of approximately RMB6,758,000, or approximately 7.34%, as compared with the turnover of the same period in 2005. For the three months ended 30 September 2006, the Group recorded an unaudited turnover of approximately RMB52,538,000, representing a growth of approximately RMB16,114,000 or 44.24%, as compared with the turnover of the same period in 2005.

For the nine and three months ended 30 September 2006, the Group recorded an unaudited net profit of approximately RMB575,000 and RMB401,000 respectively.

## Business review

### *Product development*

The Group continued its product development and operation promotion in value-added business. During the period, the Company developed China Unicom Quan Quan products; this could bring provisions of network for video chatting and entrepreneurial video conference, etc, to China Unicom clients. At the same time, by making use of the P2P video sharing technology, the clients could be offered with video-on-demand and network television functions. The development of the system for cardiovascular terminal and service centre was now under the joint testing phase.

During the period, in the field of application service sector, the Group preliminary completed the development of management support system in Java version, and would proceed with network assessment for the Company's entrepreneurial office system. The product development of the enterprise gateway unification for China Unicom was finished, now at a contemporary stage of final assessment and testing point touch-up work.

### *Marketing and business development*

During the period, it was sustainable that the value-added business has plunged into a number of provinces with the operations put on testing. The Company further refined its operation team composition and training. These formed a solid base for further development of the Group's value-added business. At the present moment, the Group has formed a creditable platform of operation.

### *Future prospects*

The Group's orders in hand include mainly projects pertaining to the management support system capacity enlargement and the e-government in a number of provinces. The Company is now engrossed in proceeding the testing point project with Changing Unicom concerning the management support system. Promotion pertinent to commercial and industrial information service project is continued, and even greater progress is attained than before.

Regarding value-added services business, products such as SMS, voice message, secretarial station, WAP, etc., the Group will keep abreast with the current status with a steady growth. The Company is endeavoured to enrich function and application of the integrative positioning service system relating to the telecom Bai Shi Tong; whereas the mobile missing call notification business correlated products should have its development kept going and approaching competency. At the same time, development in China Unicom Quan Quan products will be empowered with a view to providing for clients a steady and speedy supply of P2P video products.

Concerning aspect of application service, the Group will focus on the development of entrepreneurial informationised platform products, push ahead online testing of the use of existing java version entrepreneurial informationalised platform as office system. Also, development will be continued in products correlating to telecommunication business operators' decision system and warning alert system.



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

Save as disclosed below, as at 30 September 2006, 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>Director</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%

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

For the nine months ended 30 September 2006, none of the Directors, Supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 2006, 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 30 September 2006, no option has been granted pursuant to such share option scheme.

## INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 30 September 2006, 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 shareholders as recorded in the register maintained under section 336 of the SFO:

### Long position in shares

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Inigma Technology Co. Ltd.	Beneficial owner	81,802,637 Domestic Shares	24.10%
Guoheng Media Science Group Company Limited	Beneficial owner	34,117,800 Domestic Shares	10.05%
Fong For	Beneficial owner	21,735,000 H Shares	6.4%
Shi Chun Hua	Beneficial owner	16,490,280 Domestic Shares	4.86%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.86%

### COMPETING INTERESTS

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

### 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 comprises the 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 third quarterly report of the Group for the nine months ended 30 September 2006 have been reviewed by the Company's audit committee.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from 1 January 2006 to 30 September 2006.

On behalf of the Board  
**Chen Ping**  
Chairman

13 November 2006, Hangzhou, the PRC