



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)

Stock Code: 8106

2007

First Quarterly Report 2007



* for identification purpose only

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

This report for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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.

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HIGHLIGHTS

- Achieved a turnover of approximately RMB31,396,000 for the three months ended 31 March 2007, representing an approximately 49.50% increase as compared with the turnover for the corresponding period in 2006.
- Incurred a loss of approximately RMB2,755,000, as compared with the profit for the corresponding period in 2006 of approximately RMB842,000.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007.

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 2007.

2007 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2007, the Group recorded an unaudited turnover of approximately RMB31,396,000, representing an increase of approximately RMB10,396,000, or approximately 49.50%, as compared with the turnover of the same period in 2006.

For the three months ended 31 March 2007, the Group recorded an unaudited loss of approximately RMB2,755,000, as compared with the profit of the same period in 2006 of approximately RMB842,000.

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The unaudited results of the Group for the three months ended 31 March 2007 together with the unaudited comparative figures for the corresponding period in 2006 are as follows:

	Notes	For the three months ended 31 March	
		2007 RMB'000	2006 RMB'000
Turnover	2	31,396	21,000
Cost of sales		(20,189)	(12,135)
Gross profit		11,207	8,865
Other operating income		182	103
Distribution and selling expenses		(3,038)	(2,269)
General and administrative expenses		(10,957)	(7,728)
Finance costs		(1,227)	(1,015)
Share of (losses) profits of associates		(149)	2,596
Subsidy income		197	803
(Loss) profit before tax		(3,785)	1,355
Income tax expense	3	(4)	(12)
(Loss) profit for the period		(3,789)	1,343
Attributable to:			
– Equity holders of the Company		(2,755)	842
– Minority interests		(1,034)	501
		(3,789)	1,343
Interim dividend		–	–
(Loss) earnings per share – Basic	4	RMB(0.008)	RMBO.003

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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	
	2007	2006
	RMB'000	RMB'000
Provision of telecommunication solutions		
– System integration	3,348	2,080
– Sales of self-developed software	1,930	2,875
	<u>5,278</u>	<u>4,955</u>
Trading of hardware and computer software	15,445	4,365
Provision of telecommunication value-added services	10,673	11,680
	<u>31,396</u>	<u>21,000</u>

3. Income tax expense

	For the three months ended 31 March	
	2007	2006
	RMB'000	RMB'000
PRC income tax	<u>4</u>	<u>12</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.

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4. (Loss) earnings per share

(Loss) earnings per share have been computed by dividing loss for the three months ended 31 March 2007 of approximately RMB2,755,000 (2006: profit of approximately RMB842,000) by the number of 339,577,000 (2006: 339,577,000) shares in issue during the period.

Diluted (Loss) 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 2007 and 2006:

	For the three months ended 31 March	
	2007 RMB'000	2006 RMB'000
Retained profits		
At 1 January	(16,349)	4,668
Net Profit attributable to shareholders	(2,755)	842
At 31 March	<u>(19,104)</u>	<u>5,510</u>

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INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2007 (2006: Nil).

REVIEW OF THE FIRST QUARTER

FINANCIAL REVIEW

For the three months ended 31 March 2007, the Group recorded an unaudited turnover of approximately RMB31,396,000, representing an increase of approximately RMB10,396,000 or approximately 49.50% as compared with the turnover of the same period in 2006.

For the three months ended 31 March 2007, the Group recorded an unaudited loss of approximately RMB2,755,000, as compared with the profit of the same period in 2006 of approximately RMB842,000.

BUSINESS REVIEW

Product development

Regarding the value-added system, the Group continued to crave product development and promotion in original value-added business like short message, news sound, secretary platform, WAP, etc. The Group also continued to intensify products of industrial and commercial information service, enterprise commercial information system, map-markings and map business card, etc. Unicom Quan Quan product development was further enhanced, whereas in respect of applied service system, the Group speeded up the product development of the second stage of Unicom enterprise information gateway project.

Marketing and business development

In the period, Unicom Quan Quan business which covering a number of provinces has been inaugurated. The map-markings business was completed with a series of kick off jobs in certain provinces. In the area of the management support system, the Group has contracted with Unicom for the enterprise information system capacity expansion projects in a wealth of provinces.

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Future prospects

1. Orders in hand/Sales contract status

The orders on hand of the Group mainly include the capacity expansion projects for the management support system and e-Government projects in various provinces. The Company, being the second stage selected supplier of Unicom's management support system, is carrying out the second stage pilot project in a number of provinces, with foci at enterprise and mobile gateways. The Telecom Number Bai Shi Tong direction consultation and peripheral information inquiry of China Telecom has entered the test run stage and will begin to put into formal operation. The intensively promoted fixed line telephone value-added services and the personal communication assistant will become new drivers of growth. The Unicom Quan Quan business will continue to develop in the other provinces and the user number is expected to increase at an expeditious rate.

2. Prospects of new business and new products

Regarding value-added business, the Group continues to take efforts in penetrating into product development and promotions in original value-added business like short messages, news sound, secretary platform, WAP, etc. The thrust in promotion and development will be enforced and speed up in respect of the cooperation with Telecom Number Bai Shi Tong regarding business such as enterprise alliance, short message business card, map-markings, etc. The system which aims at offering enterprise commercial information to enterprises is under development progress. Fixed line telephone value-added business develops continuously whilst personal communication assistant products will enter the operation stage.

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DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 March 2007, 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%
<i>Chief executive officer</i>				
Liu Qiao Ping	Personal	Beneficial owner	10,235,340	3.01%

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

For the three months ended 31 March 2007, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 2007, 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 2007, no option has been granted pursuant to such share option scheme.

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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 2007, 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 shares held	Percentage of beneficial interests in the Company's share capital
Insigma Technology Co. Ltd.	Beneficial owner	81,802,637 domestic shares	24.10%
Guoheng Shengxing Media Science Company Limited	Beneficial owner	34,117,800 domestic shares	10.05%
Fong For	Beneficial owner	21,735,000 H shares	6.40%
Shi Chu 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.

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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. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin whereas Mr. Gu Yu Lin is the chairman. The first quarterly report of the Group for the three months ended 31 March 2007 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 2007 to 31 March 2007.

On behalf of the Board

Chen Ping

Chairman

15 May 2007, Hangzhou, the PRC