



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

Third Quarterly Report 2007



* for identification purpose only

ZHEDA LANDE SCITECH LIMITED THIRD QUARTERLY REPORT 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 RMB97,121,000 for the nine months ended 30 September 2007, representing an approximately 1.76% decrease as compared with the turnover for the corresponding period in 2006.
- Incurred a net loss of approximately RMB7,698,000 for the nine months ended 30 September 2007 compared to the net profit of approximately RMB575,000 for the corresponding period in 2006.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007.

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 2007.

2007 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2007, the Group recorded an unaudited turnover of approximately RMB97,121,000, representing a decrease of approximately RMB1,739,000, or approximately 1.76%, as compared with the turnover of the same period in 2006. For the three months ended 30 September 2007, the Group recorded an unaudited turnover of approximately RMB31,617,000, representing a decrease of approximately RMB20,921,000, or approximately 39.82%, as compared with the turnover of the same period in 2006.

For the nine and three months ended 30 September 2007, the Group recorded an unaudited net loss of approximately RMB7,698,000 and RMB98,000 respectively.

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The unaudited results of the Group for the nine and three months ended 30 September 2007 together with the unaudited comparative figures for the corresponding periods in 2006 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	2	97,121	98,860	31,617	52,538
Cost of sales		(67,112)	(76,775)	(15,941)	(44,582)
Gross profit		30,009	22,085	15,676	7,956
Other operating (expenses) income, net		(182)	(243)	338	(409)
Distribution and selling expenses		(8,819)	(6,572)	(2,986)	(2,195)
General and administrative expenses		(27,950)	(14,811)	(10,449)	(3,743)
Finance costs, net		(1,908)	(3,236)	(41)	(1,262)
Share of (losses) profits of associates		(2,034)	3,398	(1,871)	610
Subsidy income		1,488	2,007	(984)	-
(Loss) profit before tax		(9,396)	2,628	(317)	957
Income tax expense	3	(423)	(987)	(263)	(221)
(Loss) profit for the period		(9,819)	1,641	(580)	736
Attributable to:					
- Equity holders of the Company		(7,698)	575	(98)	401
- Minority interests		(2,121)	1,066	(482)	335
		(9,819)	1,641	(580)	736
(Loss) earnings per share					
- basic	4	RMB(0.023)	RMB0.002	RMB(0.001)	RMB0.001

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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 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	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Provision of telecommunication solutions	28,861	20,272	12,531	9,772
Trading of hardware and computer software	35,410	47,642	8,156	27,320
Provision of telecommunication value-added service	32,850	30,946	10,930	15,446
	97,121	98,860	31,617	52,538

3. Income tax expense

	Nine months ended 30 September		Three months ended 30 September	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
PRC income tax	423	987	263	221

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 net loss for the nine and three months ended 30 September 2007 of approximately RMB7,698,000 and approximately RMB98,000 (same periods in 2006: net profit of approximately RMB575,000 and approximately RMB401,000) by 339,577,000 shares (same period in 2006: 339,577,000 shares) in issue during the period.

No diluted (loss) earnings per share were presented for the nine and three months ended 30 September 2007 and 2006 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 2007 and 2006:

	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 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
At 30 September 2006	<u>71,988</u>	<u>6,910</u>	<u>3,657</u>	<u>5,243</u>
At 1 January 2007	71,988	10,657	-	(16,349)
Net loss	-	-	-	(7,600)
At 30 June 2007	71,988	10,657	-	(23,949)
Net loss	-	-	-	(98)
At 30 September 2007	<u>71,988</u>	<u>10,657</u>	<u>-</u>	<u>(24,047)</u>

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INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2007, the Group recorded an unaudited turnover of approximately RMB97,121,000, representing a decrease of approximately RMB1,739,000, or approximately 1.76%, as compared with the turnover of the same period in 2006. For the three months ended 30 September 2007, the Group recorded an unaudited turnover of approximately RMB31,617,000, representing a decrease of approximately RMB20,921,000 or 39.82%, as compared with the turnover of the same period in 2006.

For the nine and three months ended 30 September 2007, the Group recorded an unaudited net loss of approximately RMB7,698,000 and RMB98,000 respectively.

Business review

Product development, market and business expansion

In the period, the Company's value-added business was in stable development. Our revenue was comparable to that of the previous quarter. As at the end of the last quarter, Unicom Quan Quan products, the Company's core business, had a total of over 2,000,000 users. The scope of cooperation between the Company and China Telecom regarding the business of Number Bai Shi Tong was more widely expanded as to include Anhui, Jiangsu, Jiangxi, Hunan, Hubei and Fujian in addition to Zhejiang province and Shanghai.

In the business area of fixed line telephone missing call notification products, our business has gradually been developing towards personal communication assistant products in most areas of Zhejiang province. It is expected to further expand to cover the whole Zhejiang province by next June.

Positioning service is an operating product in the area of industry value-added service. The integrated information service search system, which was provided by the Company to China Telecom, has been put into service. The positioning service operated by the Company in cooperation with China Unicom saw a smooth progress with ever increasing users.

The communication service launched by the Company in cooperation with China Telecom and China Unicom has progressed smoothly. Apart from the convenience services such as hotel room reservation, air ticket booking, car reservation, meal ordering, medical service and talent recruitment, the newly launched wealth management service has recorded encouraging sales amount.

In this quarter, the Company undertook another outsourcing service to provide personnel outsourcing service for some city-level branches of Zhejiang Unicom. This will become another growth driver of profits of the Company in next quarter.

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In the area of application service, the Company continued to develop extended products based on enterprise and mobile gateways, so as to ensure its leading position in the industry. The projects completed in the first half mainly included the projects for some provincial-level companies of China Unicom, Northern Telecom and China Mobile.

Future prospects

1. Orders in hand/Sales contract status

The Group's orders in hand mainly include the capacity expansion projects of the management support system in various provinces with focus on enterprise gateways, mobile gateways and extended products. As one of the second stage selected suppliers of Unicom's management support system, the Company has signed contracts with 8 provincial-level companies of China Unicom. In addition to the cooperation with China Unicom, the Company will also strengthen its cooperation with China Telecom, China Mobile and China Netcom, so as to expand the business relations with these three telecommunication operators. Currently the Company has signed the Office Automation Third Stage Contract with the companies of Northern Telecom in nine provinces.

2. Prospects of new business and new products

In the period, the new product of small payment union, which was launched by the Company in Zhejiang province, has been in pilot operation and secured a number of users. The next step of the Company will be to promote the products throughout China. The Company will put more efforts in promoting Unicom Quan Quan products, so as to secure more users. The enterprise information service and law on-line products will be further promoted in various telecommunication companies throughout China, in order to secure more orders and develop the number of end users.

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

Save as disclosed below, as at 30 September 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 nine months ended 30 September 2007, none of the Directors, Supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 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 30 September 2007, no option has been granted pursuant to such share option scheme.

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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 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 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
Insigma Technology Co. Ltd.	Beneficial owner	81,802,637 Domestic Shares	24.10%
Guoheng Shengxing 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.

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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 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 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 nine months ended 30 September 2007.

On behalf of the Board
Chen Ping
Chairman

Hangzhou, the PRC, 13 November 2007