



**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



First Quarterly Report 2008

**2008**

\* for identification purpose only

# ZHEDA LANDE SCITECH LIMITED

FIRST QUARTERLY REPORT 2008

## 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 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.*

## HIGHLIGHTS

- Achieved a turnover of approximately RMB36,612,000 for the three months ended 31 March 2008, representing an approximately 16.61% increase as compared with the turnover for the corresponding period in 2007.
- Incurred a loss of approximately RMB2,041,000, representing an approximately 25.92% decrease as compared with the net loss for the corresponding period in 2007.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008.

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 2008.

## 2008 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2008, the Group recorded an unaudited turnover of approximately RMB36,612,000, representing an increase of approximately RMB5,216,000, or approximately 16.61%, as compared with the turnover of the same period in 2007.

For the three months ended 31 March 2008, the Group recorded an unaudited loss of approximately RMB2,041,000, as compared with the loss of the same period in 2007 of approximately RMB2,755,000.

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The unaudited results of the Group for the three months ended 31 March 2008 together with the unaudited comparative figures for the corresponding period in 2007 are as follows:

	Notes	For the three months ended 31 March	
		2008 RMB'000	2007 RMB'000
Turnover	2	36,612	31,396
Cost of sales		<u>(23,149)</u>	<u>(20,189)</u>
Gross profit		13,463	11,207
Other operating (expenses) income		(217)	182
Distribution and selling expenses		(2,177)	(3,038)
General and administrative expenses		(13,732)	(10,957)
Finance costs, net		14	(1,227)
Share of losses of associates		–	(149)
Subsidy income		<u>122</u>	<u>197</u>
Loss before tax		(2,527)	(3,785)
Income tax expense	3	<u>(259)</u>	<u>(4)</u>
Loss for the period		<u><u>(2,786)</u></u>	<u><u>(3,789)</u></u>
Attributable to:			
– Equity holders of the Company		(2,041)	(2,755)
– Minority interests		(745)	(1,034)
		<u><u>(2,786)</u></u>	<u><u>(3,789)</u></u>
Interim dividend		<u>–</u>	<u>–</u>
Loss per share – Basic	4	<u><u>RMB(0.006)</u></u>	<u><u>RMB(0.008)</u></u>

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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	
	2008 RMB'000	2007 RMB'000
Provision of telecommunication solutions		
– System integration	2,085	3,348
– Sales of self-developed software	1,020	1,930
	<u>3,105</u>	<u>5,278</u>
Trading of hardware and computer software	15,437	15,445
Provision of telecommunication value-added services	18,070	10,673
	<u>18,070</u>	<u>10,673</u>
	<u>36,612</u>	<u>31,396</u>

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## 3. Income tax expense

	For the three months ended 31 March	
	2008 RMB'000	2007 RMB'000
PRC income tax	<u>259</u>	<u>4</u>

Pursuant to the PRC Enterprise Income Tax, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 25%.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-25% 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. Loss per share

Loss per share has been computed by dividing loss for the three months ended 31 March 2008 of approximately RMB2,041,000 (2007: loss of approximately RMB2,755,000) by the number of 339,577,000 (2007: 339,577,000) shares in issue during the period.

Diluted loss per share is 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 2008 and 2007:

	For the three months ended 31 March	
	2008 RMB'000	2007 RMB'000
Retained profits		
At 1 January	(29,205)	(16,349)
Net Profit attributable to shareholders	<u>(2,041)</u>	<u>(2,755)</u>
At 31 March	<u>(31,246)</u>	<u>19,104</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2008 (2007: Nil).

## REVIEW OF THE FIRST QUARTER

### FINANCIAL REVIEW

For the three months ended 31 March 2008, the Group recorded an unaudited turnover of approximately RMB36,612,000, representing an increase of approximately RMB5,216,000 or approximately 16.61% as compared with the turnover of the same period in 2007.

For the three months ended 31 March 2008, the Group recorded an unaudited loss of approximately RMB2,041,000, as compared with the loss of the same period in 2007 of approximately RMB2,755,000.

### BUSINESS REVIEW

#### Product development

As for the business of value-added services, the Group continues its efforts in the development of its original value-added service products such as short messages, personal communication assistant, enterprise SMS business card, enterprise Bai Shi Tong alliance and visual display etc., and the improvement of its operational model. The Group has put more efforts in the research and development of the new Number Bai Shi Tong service and conducted research on further utilization of the data in the databank of Telecom Number Bai Shi Tong service.

As for the business line of application services, we are developing the office coordinating system for China Unicom based on the existing management support system platform, and developing the workflow engine system for China Mobile based on the uniform information platform.

#### Market and business development

Our value-added service has an extensive market. In particular, the development of 3G business creates new opportunities as well as challenges to our value-added business. Especially, we have conducted the research and development of innovative value-added business, in order to provide better service to the customers and gain popularity among them. Besides strengthening and improving the performance of value-added service business in Zhejiang Provinces, the business also has a great potential to be expanded to other provinces throughout the country.

In the area of application service, we account for the maximum share in the technology information business of Unicom, Mobile, Telecom and Netcom and maintain our development on the original customer base. Except for new R&D projects, there is also greater market demand for maintenance and technology support in respect of existing technology information system offered to telecom operators.

### Future prospects

#### 1. *Status of orders in hand/sales contracts*

On the basis of strengthening our value-added service business in Zhejiang Province, the Company will expand its value-added business into other provinces and develop the client base for its value-added business as planned, and continue to enter into project contracts in relation to the office coordinating system for enterprises with relevant provincial China Unicom, and continue to enter into contracts in relation to system maintenance services and technical support with telecom operators such as China Mobile, China Unicom and Northern Telecom, and enter into contracts in relation to the sourcing, installation and maintenance services for system integration projects and system network equipment.

#### 2. *Prospects of new business and new products*

Regarding value-added business, the Group will keep the revenue from the traditional value added business, such as short messages, voice, secretary platform, WAP, etc, and further develop and research the innovative service contents and modes as demanded by the market, as thus to focus on improving the combination of internet and mobile communication application. The development sped up in respect of the cooperation with Telecom Number Bai Shi Tong regarding business such as enterprise alliance, short message business card, map business card, etc.

Apart from further development of its existing operations, the Company also intends to expand the existing product portfolio to other provinces in China, and will continue to develop various products for full-scale operation, which include the following:

- Promotion and provision of Telecom Number Bai Shi Tong service throughout China: entering into contracts for the promotion and provision of Telecom Number Bai Shi Tong service in other PRC provinces benefiting from the successful experience in Zhejiang Province. The services available for promotion and provision include: enterprise SMS business card, enterprise map business card, enterprise Bai Shi Tong alliance, personal communication assistant and enterprise Telecom Number Bai Shi Tong call centre;
- Internet Information Integrated Service System: providing 114 service centres in the principal provinces of China with Internet integrated information search service based on the established vertical search platform, so as to bring down the operational difficulty and cost of 114 integrated information service and enrich the contents of the service;
- Enterprise brand-name interactive platform: establishing a leading on-line and off-line interactive exhibition platform well-recognised in China cooperating with the 114 service centres in the principal provinces of China, to provide enterprises with such services as keyword ranking, real brand-name, homepage custody, DIY enterprise information publishing, customer evaluation follow-up and Click-N-Dial, etc.;
- Easy recharge small-amount payment alliance: establishing butt-joint with basic operators in the principal provinces of China based on the existing easy recharge small amount payment platforms, to explore every possible opportunity existing on the Internet and benefit from a great number of payment transactions.



The Company is also providing comprehensive maintenance and technical supports for the information system of Telecom operators (China Telecom, China Mobile, China Unicom, China Netcom and so on). We are developing the office coordinating system for China Unicom based on the existing management support system platform, developing the workflow engine system for China Mobile based on the uniform information platform, and providing Northern Telecom with OA system maintenance service, capacity expansion for MSS system, capacity expansion of MSS system and the development of project evaluation platform software. In addition, we are developing the application software of SIP prepaid system and broadband gateway website system for China Netcom.

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

Save as disclosed below, as at 31 March 2008, 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 2008, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 2008, 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.

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### 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 2008, 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 2008, 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
Inigma 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%



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On 23 July 2007, the Company's four shareholders, namely Mr. Shi Chun Hua, Mr. Wang Jin Cheng, Mr. Chen Chun, and Mr. Huo Zhong Hui, had respectively entered into the sale and purchase agreements (the "S&P Agreements") with a subscriber, Shanghai Longtail Investment Management Co., Ltd (the "Subscriber"). Pursuant to the S&P Agreements, the shareholders concerned agreed to sell and the Subscriber agreed to purchase an aggregate of 17,148,638 shares of the Company. The resolution for the transfer was reviewed and approved by the Company in the extraordinary general meeting held on 12 October 2007.

On 23 July 2007, the Company also entered into the capital increase and subscription agreement (the "Subscription Agreement") with the Subscriber. Pursuant to the Subscription Agreement, the Company agreed to (i) increase its registered share capital from RMB33,957,700 to RMB35,654,617; and (ii) allot and issue 16,969,170 shares to the Subscriber at a price of RMB0.37 per share.

For details of the transactions, please refer to the Company's announcement issued on 24 July 2007.

The completion of the transactions and, hence, the change in shareholding structure are subject to the approval of the Ministry of Commerce in the PRC.

### 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. 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 2008 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 2008 to 31 March 2008.

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

15 May 2008, Hangzhou, the PRC