



Wang Feixue
Chairman

I would like to announce herewith the first annual report of ZZNode Holdings Company Limited ("ZZNode" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2004 on behalf of the Board of Directors.

2004 was surely a harvest year for ZZNode. For the year ended 31 December 2004, the Group had a turnover of approximately RMB108,226,000 (2003: approximately RMB92,197,000), profit attributable to shareholders of approximately RMB28,524,000 (2003: RMB25,347,000), representing an increase of approximately 17.4% and 12.5% respectively as compared to 2003. Basic earnings per share was RMB9.14 cents (2003: RMB8.45 cents), and cash in hand as at 31 December 2004 was approximately RMB90,953,000.

DIVIDENDS

The Board of Directors recommended a final dividend of HK1.7 cents for the year ended 31 December 2004.



BUSINESS REVIEW

The Group was successfully listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 18 November 2004 (stock code: 2371) (collectively referred to the "Listing"). It was only five years since the establishment of the Group in October 1999. The Group has developed from an unknown small company to a Main Board listed company with annual turnover of over RMB100 million, currently having about 270 employees, and has gained much respect from the industry and has been welcomed by customers. This represented the Group's strong ability, superb management and good financial foundation.

The success in the Listing was an important milestone for the Group. Proceeds from the Listing was and will be mainly used for the expansion of the Group's products and services portfolio, R&D activities in relation to 3G, establishment of a joint venture with a strategic partner, expansion of sales channel and marketing activities, expansion of the Group's OSS laboratory and the execution and completion of Capability Maturity Model Integration Level III ("CMMI Level III") project. At the same time, it provided a good opportunity for the Group to recruit high caliber staff and to retain and encourage the existing staff.

The Group has been providing OSS self-developed software products and one-stop integrated services to telecommunications service providers since its establishment. The Group's business included sales of self-developed software, provision of system integration comprising mainly of our proprietary software, maintenance, training and other after-sales services. Our main customers are the four major infrastructural telecommunications service providers including the China Mobile Group, covering 31 provinces and municipalities in the PRC. We have up to date completed numerous projects and have successfully developed and registered approximately 30 self-developed software.

During the period under review, the Group's scientific researches and business results have obtained recognition from various parties. We have designated the year 2004 as the Group's year of products and services. Heading for this target, the Group has been dedicated in the enhancement of the product quality. On 25 November 2004, Beijing Zhizhen Node Technology Development Co., Ltd. ("ZZNode (Beijing)") and Shanghai Zhizhen Node Technology Development Co., Ltd. ("ZZNode (Shanghai)"), the subsidiaries of the Group, successfully passed the CMMI Level III assessment. As at 31 December 2004, there were only 20 software enterprises in the PRC which have passed the assessment of CMMI Level III or above.

In addition, our "large-scaled integrated OSS for mobile network" was awarded the "China Institute of Communications' Science and Technology" First Prize by the China Institute of Communications (an association supported by the Ministry of Information Industry ("MII")) in 2004. There were only five projects awarded such nationwide prizes in the PRC last year, indicating that the Group's OSS system has been recognised by the country and the professionals.

Furthermore, the Group has been honoured as one of the companies in The 2004 Deloitte Technology Fast 500 Asia Pacific program. Such award is accredited only to the "high tech" companies, meaning technology companies that develop proprietary technology, and such technology has generated significant operating revenue to the Company. The accreditation of such award was an evidence that the Group has attained international level technology, and which has generated actual return to the Group. Last but not the least, the Listing has obtained significant appreciation from the PRC government. The Zhongguanchun Committee and Changping District Government have held a celebration party for the Group, indicating that we have been well recognised by the society.

OUTLOOK

We are fully confident of the Group's future development. On a National Information Industry Working Meeting held in January 2005, MII for the first time indicated that the strategic proposal for the development of the Third Generation Mobile Communication ("3G") in the PRC will be announced in some appropriate time this year. The relevant news has brought tremendous encouraging effect to the Group. In fact, in order to grasp the golden opportunity brought about by 3G, the Group has been dedicating in the R&D and expertise on 3G OSS related products since the fourth quarter of 2002. Therefore, the development and the industrial changes brought along with 3G will bring positive impact to the Group. We are currently one of the very few OSS software providers which are equipped with the ability to handle the 3G technology. The Group intends to increase its investments in the R&D of 3G, hoping that we can make use of this opportunity to further develop and expand our operations. In addition, following the in-depth PRC economic reforms, the prosperous development of the economy and the growth of informatisation construction level in other key industries in the PRC, demands for OSS systems are increasing. The Group is seeking for opportunities in expanding its OSS product and solutions into other key industries and private network operators.

According to the Group's development strategy, while continue to enhance product development and service quality, the Group will also focus on the exploration and expansion of market sales channels in 2005. We will also strive to improve our management, emphasise on the quality of products and deliverables, and strive to secure sustainable results to reward our shareholders, staffs and the society.

In the future, we shall leverage on the Listing, and further establish our professional brand image by continually providing innovative products and services, improving our operation and management, and optimising our sales channels, so as to realise a healthy and rapid development to enable the Group to obtain great success in the market. We will continue to uphold the spirit of "Provision of industry-leading software products and solutions, and creation of business value for customers". We believe we will become the PRC's leading and a world renowned OSS products and solutions provider which creates more and better values to our shareholders, our staffs and the society!

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere gratitude to all the management and the staff for their dedication and contribution. I would also like to take this opportunity to express my sincere thanks to our shareholders, investors and customers for their continuous encouragement and dedicated support.

By Order of the Board

Wang Feixue

Chairman

Beijing, the PRC, 19 April 2005