



浙江浙大網新蘭德科技股份有限公司

ZHEDA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code : 8106)

FINAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

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This announcement, 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 of the Stock Exchange 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

- Achieved a turnover of approximately RMB131,442,000 for the year ended 31 December 2007, representing an approximately 19.73% decrease as compared with the turnover for the year 2006
- Incurred a net loss of approximately RMB12,856,000 for the year ended 31 December 2007, comparing to a net loss of approximately RMB21,017,000 incurred for the year 2006
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2007

CONSOLIDATED FINANCIAL INFORMATION

The board of directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to present the consolidated income statement of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007, the consolidated balance sheet of the Group as at 31 December 2007 and the consolidated statement of changes in equity for the year then ended, together with the comparative figures for the corresponding previous period as follows:

Consolidated income statement

	<i>Notes</i>	2007 RMB'000	2006 RMB'000
Turnover	2	131,442	163,752
Cost of sales		<u>(88,964)</u>	<u>(122,070)</u>
Gross profit		42,478	41,682
Other operating income		10,951	12,783
Distribution costs and selling expenses		(12,795)	(12,533)
General and administrative expenses		(51,509)	(61,275)
Finance costs		(2,781)	(4,527)
Share of results of associates		901	1,783
Loss before taxation	3	(12,755)	(22,087)
Taxation	4	(1,232)	(3,002)
Loss for the year		<u>(13,987)</u>	<u>(25,089)</u>
Attributable to:			
– Equity holders of the Company		(12,856)	(21,017)
– Minority interests		(1,131)	(4,072)
		<u>(13,987)</u>	<u>(25,089)</u>
Dividends	5	<u>–</u>	<u>–</u>
Loss per share			
– Basic	6	<u>RMB(0.038)</u>	<u>RMB(0.062)</u>

Consolidated balance sheet

	<i>Notes</i>	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		10,133	13,148
Intangible assets		6,799	9,136
Goodwill		3,484	5,485
Interests in associates		2,221	6,313
Other non-current assets		328	351
		22,965	34,433
Current assets			
Inventories		505	2,180
Contract work in progress		1,431	11,253
Available-for-sale investments		–	120
Trade receivables	7	35,185	44,052
Prepayments and other receivables		104,467	114,251
Amounts due from associates		1,288	1,249
Pledged bank deposits		–	12,000
Bank balances and cash		13,955	19,546
		156,831	204,651
Current liabilities			
Trade and other payables	8	71,834	29,511
Receipt in advance from customers		1,204	9,200
Amount due to a director		3,098	3,854
Amounts due to minority shareholders		–	1,092
Current tax liabilities		2,432	2,674
Short-term borrowings		–	76,800
		78,568	123,131
Net current assets		78,263	81,520
NET ASSETS		101,228	115,953
Capital and reserves			
Paid in capital		33,958	33,958
Reserves		53,350	66,206
Equity attributable to the equity holders of the Company		87,308	100,164
Minority interests		13,920	15,789
TOTAL EQUITY		101,228	115,953

Consolidated statement of changes in equity

	Attributable to equity holders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Retained earnings	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	33,958	71,988	6,910	3,657	4,668	121,181	11,556	132,737
Transfer	–	–	3,657	(3,657)	–	–	–	–
Loss for the year	–	–	–	–	(21,017)	(21,017)	(4,072)	(25,089)
Capital contributions from minority shareholders	–	–	–	–	–	–	8,305	8,305
At 31 December 2006 and 1 January 2007	33,958	71,988	10,567	–	(16,349)	100,164	15,789	115,953
Loss for the year	–	–	–	–	(12,856)	(12,856)	(1,131)	(13,987)
Disposal of subsidiaries	–	–	–	–	–	–	(1,488)	(1,488)
Capital contributions from minority shareholders	–	–	–	–	–	–	750	750
At 31 December 2007	33,958	71,988	10,567	–	(29,205)	87,308	13,920	101,228

Notes:

1. BASIS OF PRESENTATION

The Company is incorporated in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its shares are listed on GEM of the Stock Exchange.

The consolidated financial information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, and based on International Financial Reporting Standards issued by the International Accounting Standards Board.

2. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added service, net of value-added tax ("VAT"), business tax, rebates and discounts, during the year, and after eliminating intra-Group transactions.

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Primary reporting segment – business segment

The Group comprises the following main business segments:

- (i) Provision of telecommunication solutions;
- (ii) Trading of hardware and computer software; and
- (iii) Provision of telecommunication value-added services.

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	<u>14,135</u>	<u>20,118</u>	<u>61,041</u>	<u>91,694</u>	<u>56,266</u>	<u>51,940</u>	<u>131,442</u>	<u>163,752</u>
Segment results	<u>(2,385)</u>	<u>11,019</u>	<u>10,125</u>	<u>(1,132)</u>	<u>21,943</u>	<u>19,262</u>	<u>29,683</u>	<u>29,149</u>
Unallocated revenue							<u>12,096</u>	<u>12,197</u>
Unallocated expenses							<u>(53,090)</u>	<u>(61,275)</u>
Share of results of associates	-	-	183	2,062	718	(279)	<u>901</u>	<u>1,783</u>
Finance costs							<u>(2,781)</u>	<u>(4,527)</u>
Interest income							<u>436</u>	<u>586</u>
Loss before taxation							<u>(12,755)</u>	<u>(22,087)</u>
Taxation							<u>(1,232)</u>	<u>(3,002)</u>
Loss for the year							<u>(13,987)</u>	<u>(25,089)</u>
Segment assets	<u>9,226</u>	<u>21,607</u>	<u>8,720</u>	<u>24,301</u>	<u>71,064</u>	<u>51,848</u>	<u>89,010</u>	<u>97,756</u>
Interests in associates	57	5,594	596	-	1,568	719	<u>2,221</u>	<u>6,313</u>
Unallocated assets							<u>88,565</u>	<u>135,015</u>
Total assets							<u>179,796</u>	<u>239,084</u>
Segment liabilities	<u>1,022</u>	<u>523</u>	<u>978</u>	<u>10,044</u>	<u>19,983</u>	<u>21,097</u>	<u>21,983</u>	<u>31,664</u>
Unallocated liabilities							<u>56,585</u>	<u>91,467</u>
Total liabilities							<u>78,568</u>	<u>123,131</u>

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information:								
Capital expenditures	560	4,950	110	64	4,516	1,960	5,186	6,974
Depreciation and amortisation	3,269	6,953	103	56	3,856	2,195	7,228	9,204
Impairment loss on loans and receivables	1,913	2,112	–	–	–	290	1,913	2,402
Unallocated impairment loss on loans and receivables							7,282	11,395
Total impairment loss on loans and receivables							9,195	13,797
Write-down of inventories to net realisable value	–	–	1,439	–	–	–	1,439	–
Impairment loss on property, plant and equipment	–	–	–	–	583	–	583	–
Impairment loss on intangible assets	–	–	–	–	337	–	337	–
Gain on disposal of property, plant and equipment	–	–	–	–	(21)	–	(21)	–
Unallocated (gain) loss on disposal of property, plant and equipment	–	–	–	–	–	–	(1,033)	16
Total (gain) loss on disposal of property, plant and equipment	–	–	–	–	–	–	(1,054)	16

(b) Secondary reporting segment – geographical segment

The Group operates within one geographical segment, the PRC. Accordingly, no geographical segment information is presented.

3. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2007 RMB'000	2006 RMB'000
Amortisation of intangible assets	3,838	4,086
Depreciation of property, plant and equipment	3,390	5,118
Interest expenses on bank borrowings	2,781	4,178

4. TAXATION

	2007 RMB'000	2006 RMB'000
Current tax expense		
PRC Enterprises Income Taxes (“EIT”) on profit for the year	1,232	3,002

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2006: 15%) as they were classified as Advanced and New Technology Enterprises. The remaining subsidiaries were taxed at the statutory rate of 33% (2006: 33%) of their respective assessable income for the year ended 31 December 2007.

5. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2007, nor has any dividend been proposed since the balance sheet date (2006: Nil).

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year ended 31 December 2007 of RMB12,856,000 (2006: RMB21,017,000) by the number of 339,577,000 (2006: 339,577,000) shares in issue during the year.

No diluted loss per share has been presented for both years as there were no potential ordinary shares outstanding during the year.

7. TRADE RECEIVABLES

Trade receivables consisted of:

	2007 RMB'000	2006 RMB'000
Trade receivables	48,184	55,245
Less: Accumulated impairment	(12,999)	(11,193)
	<u>35,185</u>	<u>44,052</u>

Aging analysis of the trade receivables net of impairment losses as at 31 December 2007 is as follows:

	2007 RMB'000	2006 RMB'000
Less than one year	34,086	43,647
Over one year but less than two years	1,099	405
	<u>35,185</u>	<u>44,052</u>

There were no specific credit terms granted to the customers.

8. TRADE AND OTHER PAYABLES

	2007 RMB'000	2006 RMB'000
Trade payables	2,300	3,598
Other payables and accruals	69,534	25,913
	<u>71,834</u>	<u>29,511</u>

Aging analysis of the trade payables is as follows:

	2007 RMB'000	2006 RMB'000
Less than one year	1,847	2,941
Over one year but less than two years	154	657
Over two years but less than three years	299	—
	<u>2,300</u>	<u>3,598</u>

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

CLOSURE OF H SHARE REGISTER

In order to convene the Annual General Meeting, the H share register of shareholders of the Company will be closed from 23 April 2008 to 22 May 2008 (both days inclusive), during which no transfer of H shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2007, the audited consolidated turnover of the Group was approximately RMB131,442,000, representing a decrease of approximately RMB32,310,000, or approximately 19.73% as compared with that of 2006.

The audited net loss attributable to equity holders of the Company for the year ended 31 December 2007 was approximately RMB12,856,000, comparing to the audited net loss attributable to equity holders of the Company for the year ended 31 December 2006 of approximately RMB21,017,000.

The main reasons for the results for the year are:

- (1) gross margin maintained at relatively low level due to continuous sheer market competition faced by the Group; and
- (2) increased investments in research and development for telecommunications value-added services, which leads to be the driver of the Group's future growth.

2. Product and business development

During the year, the Group further refined the product structure of its value-added business line by putting emphasis on the development of competitive products, for instance, the short message name card service based on the Number 114 Bai Shi Tong service provided by China Telecom, the Kai Ji Tong service and the coming call assistant service based on the mobile communication service and the missed call notification service based on the fixed-line telephone service. Taking into account the investment status, the Company will reduce spending on those products and projects with large investment amount, longer return period and less potential, or adjust the operational model and business strategy to concentrate resources on the development of those competitive products and services. During the year, the Company maintained sound cooperation relationship with operators and promoted its products through the operators' distribution networks and channels.

During the year, as for the business of its operation support system, the enterprise information management system developed by the Group for China Unicom was put into application in several provinces, and received positive response. The Group also entered into contracts for project developing a synergistic office system in Tianjin, Anhui, Zhejiang and Tibet during the year.

3. Investment and cooperation

During the year, pursuant to the operation strategy of optimizing the allocation of resources and minimizing the product structure adopted by the Company, the Group and its subsidiaries subdivided and classified their businesses, in order to optimize the product structure under the situation that the resources were limited; for those not consistent with our operation strategy, or need large investment but with long return period, the Company adopted the operating mode based on limiting costs and disengaging form. For this purpose, during the year, the Company gradually disposed its equity interests in Shanghai Haigang Communication Technology Company Limited (上海海港通信技術有限公司), Guangzhou Landi Electronics Information Technology Company Ltd. (廣州蘭笛電子信息技術有限公司), Zhejiang Lande Xinyi Information Technology Company Ltd. (浙江蘭德新易信息技術有限公司), Hangzhou Saier Network Technology Company Ltd. (杭州賽爾網絡技術有限公司) and Hefei Lande Tongling Technology Company Ltd. (合肥蘭德通靈科技有限公司). Through the foresaid adjustment, the Company avoided the homogenization of its intra business, improved the business conversion and positioning; meanwhile, the disposal of such equity interests which did not yield income or had little potential could generate cash flow for developing and promoting the key product lines.

4. Employees information

As at 31 December 2007, the Group had approximately 370 (2006: 350) employees in total. The total staff costs of the Group for the year amounted to approximately RMB14,319,000 (2006: RMB11,697,000).

The Group's human resources management strategy is formulated in accordance with the Group's development strategy and long term goal. Being an important constituent making up the Group's collective development strategy, human resources strategy gives the fundamental support and impulsive effect to make the Group's collective strategy to be realized. The entire infrastructure of human resources management is built up in accordance with the Group's integral strategy and vision. At the same time, incentive scheme will be embedded in other human resources programs and flourishing result is expected from this cross match.

The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for human development and formulated a good system in people deployment and incubation.

The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability, and work attitude, an integrated evaluation could be established for the employee which will be used as referencing standard. Through the integration of the two systems, the employees are effectively motivated and the attainment of the Group's target is assured.

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. By conducting training needs assessment, the Group invited professional consulting firms to design training system and deliver courses. Training plan was given to suit individual staff so as to help each one more compatible with the Company's job requirement and ensure comprehensive development during his career life. The Group could have more better development only if employees were upgraded substantially.

The Group did not issue any share options nor had any bonus plan.

REVIEW OF FINANCIAL POSITIONS

- The Group maintained creditable financial conditions. For the year ended 31 December 2007, the Group was mainly financed by proceeds generated from daily operations and bank borrowings.
- As at 31 December 2007, the Group's cash and bank deposits balances amounted to approximately RMB13,955,000 (2006: RMB31,546,000).
- As at 31 December 2007, the Group had no short-term borrowings (2006: RMB76,800,000).
- As at 31 December 2007, the Group had a total asset value of approximately RMB179,796,000 (2006: RMB239,084,000).
- As at 31 December 2007, the Group had current liabilities of approximately RMB78,568,000 (2006: RMB123,131,000).
- As at 31 December 2007, the Group had shareholders' equity of approximately RMB87,308,000 (2006: RMB100,164,000).
- As at 31 December 2007, the Group had minority interests of approximately RMB13,920,000 (2006: RMB15,789,000).
- As at 31 December 2007, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 43.70% (2006: 51.50%).
- As at 31 December 2007, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 50.10% (2006: 60.17%).
- As all of the Group's account payables of purchases and account receivables of sales are in Reminbi, there is no foreign exchange risk.
- As at 31 December 2007, the Group had no bank deposits pledged to secure general banking facilities granted to the Group (2006: RMB12,000,000).
- As at 31 December 2007, the Group did not utilise corporate guarantee to secure general banking facilities granted to related company (2006: RMB20,000,000).

FUTURE PROSPECTS

1. Orders in hand/status in sales contract

The orders in hand of the Group mainly comprised the capacity expansion projects for the management support system in various provinces and operators' synergistic office business. For the value-added business, the service of short message business card based on the Number 114 Bai Shi Tong provided by China Telecom has been widely used in the market, the number of customers is increasing rapidly, business of Kai Ji Tong and call-in assistant and the missed call notification have been run in several areas, the Company is actively expanding the service function and application scope of its products, making use of market opportunities to put more efforts on the promotion, linking up the industrial application to provide timely and accurate service for customers.

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:

- (1) 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;
- (2) 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;
- (3) 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.;
- (4) 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.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2007 have been reviewed and approved 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 year ended 31 December 2007.

CORPORATE GOVERNANCE

During the year ended 31 December 2007, the Company complied, in all material aspects, with all the code provisions set out in the Code on Corporate Practices as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

On behalf of Board
Chen Ping
Chairman

Hangzhou, the PRC, 31 March 2008

As at the date of this announcement, the Board comprises six executive directors, being Mr. Chen Ping, Mr. Shi Lie, Mr. Chao Hong Bo, Ms. Geng Hui, Mr. Hu Yang Jun and Mr. Xia Zhen Hai, and three independent non-executive directors, being Mr. Zhang De Xin, Mr. Cai Xiao Fu, and Mr. Gu Yu Lin.

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