浙江浙大網新蘭德科技股份有限公司

ZHEDA LANDE SCITECH LIMITED*

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

(Stock Code : 8106)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

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.

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. This announcement will remain on the "Latest Company Announcements" page on the GEM website for at least 7 days from the day of its posting.

* *For identification purpose only*

HIGHLIGHTS

- Achieved a turnover of approximately RMB118,208,000 for the year ended 31 December 2005, representing an approximately 36.32% decrease as compared with the turnover for the year 2004.

- Incurred a net loss of approximately RMB28,348,000 for the year ended 31 December 2005, comparing to a net profit of approximately RMB10,296,000 accomplished for the year 2004.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2005.

CONSOLIDATED FINANCIAL INFORMATION

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the audited consolidated income statement of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 and the audited consolidated balance sheet of the Group as at 31 December 2005, together with the audited comparative figures for the corresponding previous period as follows:

Consolidated income statement

	Notes	**2005** *RMB'000*	2004 *RMB'000*
Turnover	*3*	**118,208**	185,639
Cost of sales		**(97,241)**	(129,517)
Gross profit		**20,967**	56,122
Other operating income	*4*	**10,899**	1,351
Distribution costs		**(11,493)**	(10,067)
Administrative expenses		**(45,459)**	(27,471)
(Loss)/profit from operations		**(25,086)**	19,935
Share of results of associates			
– Share of profits/(losses) of associates		**2,030**	(1,558)
– Share of tax of associates		**(62)**	–
		1,968	(1,558)
Finance costs		**(4,427)**	(4,610)
Interest income		**257**	363
(Loss)/profit before tax	*5*	**(27,288)**	14,130
Tax expense	*6*	**(400)**	(3,609)
(Loss)/profit for the year		**(27,688)**	10,521
Attributable to:			
– Equity holders of the Company		**(28,348)**	10,296
– Minority interests		**660**	225
		(27,688)	10,521
Dividend	*7*	**–**	–
(Loss)/earnings per share	*8*		
– Basic (RMB)		**(0.083)**	0.030

Consolidated balance sheet

	Notes	2005 *RMB'000*	2004 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**7,519**	7,606
Intangible assets		**6,630**	11,895
Interests in associates		**7,580**	6,300
Long-term prepayments		**1,459**	396
Total non-current assets		**23,188**	26,197
Current assets			
Inventories		**2,196**	10,062
Contract work in progress		**15,667**	14,743
Trade and notes receivables	*9*	**66,171**	103,340
Prepayments and other receivables		**90,157**	90,617
Amounts due from associates		**1,733**	1,527
Pledged bank deposits		**19,848**	11,020
Bank balances and cash		**55,955**	39,804
Total current assets		**251,727**	271,113
Total assets		**274,915**	297,310
Liabilities			
Current liabilities			
Trade and notes payables	*10*	**45,643**	44,672
Receipt in advance from customers		**10,773**	10,060
Other payables and accruals		**10,173**	13,536
Current tax liabilities		**1,589**	3,245
Short-term borrowings		**74,000**	66,500
Total current liabilities		**142,178**	138,013
TOTAL NET ASSETS		**132,737**	159,297
Capital and reserves attributable to equity holders of the Company	*12*		
Share capital		**33,958**	33,958
Share premium		**71,988**	71,988
Statutory surplus reserve		**6,910**	6,009
Statutory public welfare reserve		**3,657**	3,657
Retained earnings		**4,668**	33,917
		121,181	149,529
Minority interests		**11,556**	9,768
TOTAL EQUITY		**132,737**	159,297

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 statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs and IFRIC Interpretations") issued by the International Accounting Standards Board ("IASB") and the applicable disclosure required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are initially measured at fair value.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted a number of new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations (collectively the "new IFRSs") issued by the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new IFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated balance sheet. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new IFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current accounting periods are prepared and presented.

The impact of the changes in accounting policies is discussed below.

IFRS 3 "Business Combinations"

Goodwill

In previsous years, goodwill arising on acquisitions was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment.

In accordance with the relevant transitional provisions under IFRS 3 and IAS 36 "Impairment of assets", the Group has applied the new policy in respect of goodwill prospectively from 1 January 2005. Comparative figures for 2004 have not been restated. The cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of goodwill. Goodwill is no longer amortised but is tested for impairment annually including the year of initial recognition, as well as when there are indications of impairment, at the cash generating unit level by applying a fair-value-based test in accordance with IAS 36.

IAS 32 "Financial Instruments: Disclosures and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement"

In the current year, the Group has applied IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". IAS 32 requires retrospective application. IAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of IAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of IAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities in accordance with the requirement of IAS 39. Under IAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in IAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

IAS 17 "Leases"

Owner-occupied Leasehold Interest in Land

In the current year, the Group has applied IAS 17 "Leases". Under IAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to "Interests in leasehold land held for own use under operating leases", which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

IAS 27 "Consolidated financial statements and accounting for investments in subsidiaries" and IAS 28 "Accounting for investments in associates"

Investments in subsidiaries and associates

In previous years, investments in subsidiaries and associates were accounted for using equity method in the balance sheet of the Company. In the current year, the Company has applied IAS 27 "Consolidated financial statements and accounting for investments in subsidiaries" and IAS 28 "Accounting for investments in associates", under which investments in subsidiaries and associates should be carried at cost in the balance sheet of the Company. This change in accounting policy has been applied retrospectively. As a result of this change in policy, the balance of retained earnings at 1 January 2004 has been decreased by RMB7,741,000, representing the cumulative effect of the change in policy on the results of the Company for periods prior to 1 January 2004. The balances of the investments in subsidiaries and investments in associates at 31 December 2004 have been decreased by RMB6,743,000 and increased by RMB1,968,000 respectively, representing the effect of the derecognition of share of post-acquisition profits/losses of the subsidiaries and associates at that date.

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new standards and interpretations and amendments that were issued but are not yet effective:

IAS 1 (Amendment)	Capital disclosures[1]
IAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
IAS 21 (Amendment)	Net investment in foreign operation[2]
IAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
IAS 39 (Amendment)	The fair value option[2]
IAS 39 & IFRS 4 (Amendments)	Financial guarantee contracts[2]
IFRS 6	Exploration for and evaluation of mineral resources[2]
IFRS 7	Financial instruments: Disclosures[1]
IFRIC - INT 4	Determining whether an arrangement contains a lease[2]
IFRIC - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
IFRIC - INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
IFRIC - INT 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies[4]
IFRIC - INT 8	Scope of IFRS 2[5]
IFRIC - INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

The Group has considered these standards, interpretations and amendments but does not expect they will have material effect on how the results of the operations and financial position of the Group are prepared and presented.

3. TURNOVER

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

4. OTHER OPERATING INCOME

	2005	2004
	RMB'000	*RMB'000*
Subsidy income		
Net VAT refund *(Note)*	**4,210**	620
Commission income	**352**	605
Gain on disposal of property, plant and equipment	**2**	–
Gain on disposal of an associate	**–**	100
Gain on partial disposal of subsidiaries	**251**	–
Gain on disposal of certain divisions in the telecommunications operation support business	**5,014**	–
Consultancy income	**800**	–
Others	**270**	26
	10,899	1,351

Note:

Pursuant to Guo Fa [2000] No. 18 issued by the State Council, the Company is subject to VAT at a rate of 17% on sales of self-developed software, and is granted VAT refund of the amount of actual tax burden exceeding 3% on sales of self-developed software. VAT refund is recorded as income upon receipt.

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging:

	2005	2004
	RMB'000	*RMB'000*
Amortisation of intangible assets	**5,612**	4,245
Depreciation of property, plant and equipment	**2,400**	2,292
Interest expenses on bank borrowings	**4,294**	4,562

6. TAX EXPENSE

	2005	2004
	RMB'000	*RMB'000*
Current tax expense		
PRC Enterprises income taxes ("EIT") on profit for the year	**1,389**	4,408
Ajustment for overprovision in prior years	**(989)**	(799)
	400	3,609

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2004: 15%) as they were classified as Advanced and New Technology Enterprise. The remaining subsidiaries were taxed at the statutory rate of 33% of their respective assessable income for the year ended 31 December 2005.

7. DIVIDEND

No dividend was paid or proposed during 2005, nor has any dividend been proposed since the balance sheet date (2004: Nil).

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the net loss for the year ended 31 December 2005 of RMB28,348,000 (2004: net profit of RMB10,296,000) by the number of 339,577,000 (2004: 339,577,000) shares in issue during the year.

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

9. TRADE AND NOTES RECEIVABLES

An aging analysis of the trade and notes receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	2005	2004
	RMB'000	*RMB'000*
Less than one year	**51,721**	88,045
Over one year but less than two years	**15,731**	13,467
Over two years but less than three years	**3,360**	2,376
Over three years	**4,150**	5,858
	74,962	109,746
Less: Accumulated impairment	**(8,791)**	(6,406)
	66,171	103,340

There were no specific credit terms granted to the customers.

10. TRADE AND NOTES PAYABLES

An aging analysis of the trade and notes payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	2005	2004
	RMB'000	*RMB'000*
Less than one year	**41,761**	44,282
Over one year but less than two years	**3,690**	390
Over two years but less than three years	**168**	–
Over three years	**24**	–
	45,643	44,672

11. NET CURRENT ASSETS

The net current assets of the Group as at 31 Decemember 2005 amounted to RMB109,549,000 (2004: RMB133,100,000).

12. CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare reserve *RMB'000*	Retained earnings *RMB'000*	Proposed final dividends *RMB'000*	Equity attributable to equity holders of the Company *RMB'000*
At 1 January 2004	33,958	71,988	4,719	3,012	25,556	3,396	142,629
Profit for the year	–	–	–	–	10,296	–	10,296
Dividends paid	–	–	–	–	–	(3,396)	(3,396)
Transfer of retained earnings	–	–	1,290	645	(1,935)	–	–
At 31 December 2004	33,958	71,988	6,009	3,657	33,917	–	149,529
Loss for the year	–	–	–	–	(28,348)	–	(28,348)
Transfer of retained earnings	–	–	901	–	(901)	–	–
At 31 December 2005	33,958	71,988	6,910	3,657	4,668	–	121,181

13. SEGMENT INFORMATION

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) Other related service which represents the provision of telecommunication value-added services

	Provision of telecommunication solutions		Trading of hardware and computer software		Other related service		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment turnover	**36,185**	71,272	**59,925**	97,289	**22,098**	17,078	**118,208**	185,639
Segment results	**3,499**	23,969	**(5,967)**	15,199	**11,942**	6,887	**9,474**	46,055
Unallocated revenue							**10,899**	1,351
Unallocated expenses							**(45,459)**	(27,471)
(Loss)/profit from operations							**(25,086)**	19,935
Share of results of associates	**–**	(909)	**–**	–	**1,968**	(649)	**1,968**	(1,558)
Finance costs							**(4,427)**	(4,610)
Interest income							**257**	363
(Loss)/profit before tax							**(27,288)**	14,130
Tax expense							**(400)**	(3,609)
(Loss)/profit for the year							**(27,688)**	10,521
Segment assets	**55,962**	77,109	**36,956**	86,570	**9,671**	7,675	**102,589**	171,354
Interests in associates	**–**	889	**–**	–	**7,580**	5,411	**7,580**	6,300
Unallocated assets							**164,746**	119,656
Total assets							**274,915**	297,310
Segment liabilities	**19,689**	18,498	**34,157**	33,032	**2,569**	3,203	**56,415**	54,733
Unallocated liabilities							**85,763**	83,280
Total liabilities							**142,178**	138,013
Other segment information:								
Capital expenditures	**1,737**	12,568	**–**	120	**435**	635	**2,172**	13,323
Depreciation and amorisation	**7,379**	5,743	**–**	581	**633**	213	**8,012**	6,537
Impairment loss on loans and receivables	**821**	–	**1,507**	–	**2,980**	–	**5,308**	–
Unallocated impairment loss on loans and receivables							**4,441**	–
Total impairment loss on loans and receivables							**9,749**	–
Write-down of inventories to net realisable value	**–**	–	**3,629**	–	**–**	–	**3,629**	–

(b) Secondary reporting segment – geographical segment

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

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: Nil).

CLOSURE OF H SHARE REGISTER

The H share register of shareholders of the Company will be closed from 23 April 2006 to 22 May 2006 (both days inclusive), during which no transfer of H shares will be effected.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. Review of operating results for the year

For the year ended 31 December 2005, the audited consolidated turnover of the Group was approximately RMB118,208,000, representing a decrease of approximately RMB67,431,000, or approximately 36.32% as compared with that of 2004.

The audited net loss attributable to shareholders of the Company for the year ended 31 December 2005 was approximately RMB28,348,000, comparing to the audited net profit attributable to shareholders of the Company for the year ended 31 December 2004 of approximately RMB10,296,000.

The main reasons for the results for the year are:

(1) Customers of application service product lines competed in oligarchy position. A lot of enterprises bear operations similar to that of our Company, the market situation is bad with sheer competition, all resulting in a low profitability.

(2) There is a gradual recession in the investment scale of communication industry in application service system construction.

(3) Value-added services being at its developing stage, the expenditure used in construction of platform, research, development and marketing of products are high, and time for return is needed.

2. Product development

After a year of difficult reformation, the Company's product line was very clear. Presently, the Company's value-added service business line included the traditional value-added service business, the renovated business derived from it and also the industries value-added service business. Traditional value-added products included SMS, voice message, secretarial station, WAP, etc. During the review period, this business received even larger extent of operation and promotion. The renovated business, which was based on traditional value-added business, represented the new business developed through the market application and function enhancement of the original SMS. voice message, secretarial station, WAP and for meeting the market demand. For example, in the aspect of voice message, products based on voice recognising and voice synthesising were launched. In the aspect of SMS operation, emphasis was placed on the practical application function of SMS in different industries. Presently, this kind of products includes traffic short message, family-school link and association with commercial parties to give discount sales to the consumer public (the "Cornucopia Alliance"). Whereas on the side of value-added fixed line telephone, products for notifying missed calls on fixed line telephone was launched, which acted as a sign of pushing products relating to fixed line telephone value-added business. The Group also launched the "Kai Gi Tone" products for mobile phone.

Positioning business was a product of industries value-added service, and was also a prime business with much attention given by the Company. Presently, the Group has been completed the inner river basin ship positioning management system, launched the star picture product which was based on GPSOne positioning technology. This product is now in the promotional stage.

In the period, in the aspect of application service business, the version unification of management support system for application service system management support system and business support system was completed. This made a good basis for future promotion and maintanence. Regarding the aspect of eGovernment buisiness, the Group has completed the development of application support platform and commenced to the development of JSEE based eGovernment products.

3. Marketing and business development

In the period, in the aspect of value -added business, the Group mainly completed the connection with business operators, including provinces like Xiangjin, Fujian, Heilongjiang, etc. The product marketing set up was completed, and had the market further developed forcibly. Presently, business in the field of artificial secretary, SMS, voice message application platform, WAP , reply voice tone business, family-school link, positioning business, etc were having relatively stable user groups.

In the period, in the field of application service business, the Company's management support system has procured capacity expansion projects for China Mobile in five provinces including Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile, Nei Mongol Mobile as well as a considerable number of capacity expansion projects with Unicom. For eGovernment business, orders from Zhejiang Province Hygiene Information Centre and Zhejiang Province People Court were secured.

4. Employees information

- As at 31 December 2005, the Group had 346 (2004: 307) employees in total. The total staff costs of the Group for the year amounted to approximately RMB13,660,000 (2004: RMB10,317,000).

- The Group's establishment of human resources management strategy is under guidance laid down by its development strategy on one hand, while it is also directed by the target regulated with vision plan on the other. Being an important constituent as to make up the development the Group's collective strategy, human resources strategy gives a fundamental support and impulsive effect to make the Group's collective strategy to be realised. From the Group's integral strategy point of view, the entire infrastructure of human resources management is built-in. Likewise, the incentive scheme and other human resources programs are interrelated and let be flourishing in this cross match.

- The Group opens more widely for recruitment channels, and set up mechanisms attracting human resources; grasp for human development and formulate a good system in people deployment and development.

- The Group has implemented an annual income target system, which is achieved by linking up staff performance appraisal and compensation system. Target annual income is confirmed and is paid out in accordance with performance appraisal result. This gives a total assessment in employee's aspect of job performance, capability, and work attitude so that an integrated evaluation can be given to them. Using the above as reference standard, the link can act as a motivating factor to employee and also can guarantee that the Group's aim be achieved smoothly.

- 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 has invited professional consulting firms to design training system and courses. Training plan is made to suit individual staff so as to help staffs more compatible with the Company's job requirement and having thorough development in their career lives. The Group can have more better development only if employee can be upgraded substantially.

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

FINANCIAL REVIEW

- The Group maintained creditable financial conditions. For the year ended 31 December 2005, the Group was mainly financed by proceeds generated from daily operations, bank borrowings and the listing funds.

- As at 31 December 2005, the Group's cash and bank deposits balances amounted to approximately RMB75,803,000 (2004: RMB50,824,000).

- As at 31 December 2005, the Group had unsecured short-term borrowings amounted to RMB74,000,000 (2004: RMB66,500,000), at interest rates ranging from 4.6% to 6.7% (2004: 5.3% to 5.9%).

- As at 31 December 2005, the Group had a total asset value of approximately RMB274,915,000 (2004: RMB297,310,000).

- As at 31 December 2005, the Group had current liabilities of approximately RMB142,178,000 (2004: RMB138,013,000).

- As at 31 December 2005, the Group had shareholders' equity of approximately RMB121,181,000 (2004: RMB149,529,000).

- As at 31 December 2005, the Group had minority interests of approximately RMB11,556,000 (2004: RMB9,768,000).

- As at 31 December 2005, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 51.72% (2004: 46.42%).

- As at 31 December 2005, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 56.48% (2004: 50.91%).

- As all of the Group's account payables due purchase and account receivables of sales are in Reminbi, there is no foreign exchange risk.

- As at 31 December 2005, the Group had no contingent liabilities (2004: Nil).

- As at 31 December 2005, the bank deposits amounting to RMB19,848,000 (2004: RMB11,020,000) were pledged.

FUTURE PROSPECTS

1. Orders and contracts in hand

The total amount of orders in hand of the Group is not less than RMB20,000,000. Major items include the management support system capacity expansion projects in various provinces and eGovernment information contracts entered into with Tiantai County People's Government Information Centre, Hsiu Zhou Regional Information Centre, Chun On County People's Government, Upper City Zone Government, Shueng Yue Municipal People's Procuratorate Government Office, Zhejiang Province Hygiene Information Centre, Zhejiang Province People's Court, and Tung Village Municipal People's Government Office. Chou Zhan Municipal Information Centre, Shaoshing County Construction Authority Office, Hangzhou Municipal Food & Medicine Supervision Management Authority, Shui On City Development and Renovation Bureau, Shui On City Information Office, Yu Wan County Information Centre, Hu Zhou Nan Tao Regional Information Centre. In relation to family school link, the Group has contemporary signed contracts with more than 400 schools. 130 schools having finished and now development still under implementation.

2. Prospects of new business and new products

For the year of 2006, regarding value-added service's business, the Group will continue to devote in deepening the product development and operational promotion of the original value-added business of SMS, voice message, secretarial station, WAP, etc. In the education side, co-operation with related web sites to launch related information service product will be carried on. The Group will also make one more step ahead to promote products concerning with the Cornucopia Alliance to customers national-wise. The Group will also speed up its product development in the positioning business and launch GIS platform as soon as possible. The Company has also the chance to participate in product development of digital television related value-added business.

Regarding the application service business, the Group will focus on the development of products relating to enterprise information platform as well as gateway and certification in the telecommunication industry. Also the Group will take efforts in developing eGovernment related products with entities like procuratorate, medicine authority, public hygiene bureau, etc

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2005 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 2005.

CORPORATE GOVERNANCE

During the year ended 31 December 2005, the Company had compiled with the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules (the "Code") in all material aspects except as set out below:

(1) Mr. Chen Ping acted as both the chairman and chief executive officer of the Company. This was deviated from rule A2.1 of the Code.

(2) No remuneration committee had been set up as required by rule B1.1 of the Code.

The above deviations from the Code was due to the practical situations of the Company as fully described in the Annual Report of the Company for the year ended 31 December 2005.

On behalf of Board
Chen Ping
Chairman

Hangzhou, the PRC, 29 March 2006

As at the date of this announcement, the Board comprises five executive directors, being Mr. Chen Ping, Mr. Xue Shi Cheng, Mr. Hu Yang Jun, Ms. Pan Lichun, and Mr. Shi Lie, and three independent non-executive directors, being Mr. Cai Xiao Fu, Mr. Zhang De Xin and Mr. Gu Yu Lin.

This announcement will remain on the "Latest Company Announcements" page on the GEM website for at least 7 days from the day of its posting.