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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Zheda Lande Scitech Limited\*, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)**

## DISCLOSEABLE AND CONNECTED TRANSACTION

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A letter from the board of directors of Zheda Lande Scitech Limited\* is set on pages 4 to 12 of this circular.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*

\* For identification purpose only

7 July 2006

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

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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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“ <b>associate(s)</b> ”	has the meaning ascribed to it under the GEM Listing Rules;
“ <b>Business</b> ”	the value-added telecommunications business in the PRC, including the telecommunications and information services provided by means of public network infrastructure which improves the economic performance and functional value of the network. The value-added telecommunications services that are widely provided in the PRC include electronic mails, videotext, electronic data interchange (EDI), fax store and forward, online database search and internet;
“ <b>Company</b> ”	means Zheda Lande Scitech Limited* (浙江浙大網新蘭德科技股份有限公司), the H Shares of which are listed and traded on the GEM (stock code: 8106);
“ <b>Connected Person</b> ”	has the meaning ascribed to it under the GEM Listing Rules;
“ <b>Consideration</b> ”	means RMB10,000,002 (approximately HK\$9,615,002), being the consideration payable by the Company to Zhejiang Tianxin and Ms. Tao Tsaiyun under the Structure Contracts (comprising RMB10,000,000 (approximately HK\$9,615,000), being the consideration payable by the Company to Ms. Tao Tsaiyun in respect of the right to acquire up to but not exceeding 78% equity interest in Zhejiang Tianxin (or any part thereof) under the Exclusive Right to Purchase Contract and RMB2 (approximately HK\$1.9), being the consideration payable by the Company to Zhejiang Tianxin in respect of the assignment of the Softwares’ Copyrights (as defined below) under each of the two Software Copyright Transfer Contracts;
“ <b>Directors</b> ”	means the directors of the Company, including the independent non-executive directors;

\* For identification purpose only

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## DEFINITIONS

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<b>“Exclusive Business Cooperation Contract”</b>	means the exclusive business cooperation contract among the Company, Zhejiang Tianxin and Zhejiang Tianxin (Shareholders) dated 14 June 2006, the principal terms of which are set out in the paragraph headed “The Structure Contracts” in this circular;
<b>“Exclusive Right to Purchase Contract”</b>	means the exclusive right to purchase contract among the Company, Zhejiang Tianxin and Zhejiang Tianxin (Shareholders) dated 14 June 2006, the principal terms of which are set out in the paragraph headed “The Structure Contracts” in this circular;
<b>“GEM”</b>	means the Growth Enterprise Market operated by the Stock Exchange;
<b>“GEM Listing Rules”</b>	means the Rules Governing the Listing of Securities on the GEM;
<b>“Group”</b>	means the Company and its subsidiaries;
<b>“HK\$”</b>	means Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
<b>“Independent Third Party”</b>	means to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, any person who is not connected to any director, supervisor, chief executive, promoter, substantial shareholder or management shareholder (both as defined in the GEM Listing Rules) of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules), nor a connected person (as defined in the GEM Listing Rules);
<b>“Latest Practicable Date”</b>	means 5 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
<b>“Percentage Ratios”</b>	has the meaning ascribed to it under the GEM Listing Rules;
<b>“Pledge Contract”</b>	means the pledge contract among the Company, Zhejiang Tianxin and Ms. Tao Tsaiyun dated 14 June 2006, the principal terms of which are set out in the paragraph headed “The Structure Contracts” in this circular;

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## DEFINITIONS

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“Powers of Attorney”	means the powers of attorney executed by each of Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min, the principal terms of which are set out in the paragraph headed “The Structure Contracts” in this circular;
“PRC”	means the People’s Republic of China;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Structure Contracts”	means a suite of contracts and documents all dated 14 June 2006 entered into by/between/among the Company and/or Zhejiang Tianxin and/or Zhejiang Tianxin (Shareholders) (as the case may be) comprising the Framework Contract, the Exclusive Right to Purchase Contract, the Share Pledge Contract, the Exclusive Business Corporation Contract and the Powers of Attorney, the principal terms of each of these contracts and documents are set out in the paragraph headed “The Structure Contracts” in this circular;
“Zhejiang Tianxin”	means Zhejiang Tianxin Science and Technology Development Company Limited* (浙江天信科技發展有限公司), a company incorporated in the PRC on 5 September 2003, and as at the date of the Structure Contracts, its shareholding is held as to 78%, 10%, 8%, 3% and 1% by Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min;
“Zhejiang Tianxin (Shareholders)”	means all shareholders of Zhejiang Tianxin, namely, Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min who hold 78%, 10%, 8%, 3% and 1% equity interest in Zhejiang Tianxin respectively; and
“%”	means percentage.

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chen Ping (*Chairman*)

Mr. Xue Shi Cheng

Mr. Hu Yang Jun

Ms. Pan Lichun

Mr. Shi Lie

*Registered office:*

4th Floor

108 Gu Cui Road

Hangzhou City

The People's Republic of China

*Independent non-executive Directors:*

Mr. Cai Xiao Fu

Mr. Zhang De Xin

Mr. Gu Yu Lin

*Place of business in Hong Kong:*

Units 1116-1119

Sun Hung Kai Center

30 Harbour Road

Wanchai

Hong Kong

7 July 2006

*To the shareholders of the Company*

Dear Sir or Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

On 15 June 2006, the Directors announced that the Company entered into the Structure Contracts with Zhejiang Tianxin and/or Zhejiang Tianxin (Shareholders) (as the case may be) pursuant to which, amongst others, the Company will be provided with (i) the right to receive the cash revenues received by Zhejiang Tianxin from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements; (ii) the right to acquire 78% equity interest of Zhejiang Tianxin, as and when permitted by the relevant PRC laws, rules and regulations, for a pre-paid amount, that is, RMB10,000,000 (approximately HK\$9,615,000); (iii) the right to ensure that the Company will own (a) the principal intellectual property rights of Zhejiang Tianxin and (b) all future intellectual property rights of Zhejiang Tianxin on an exclusive basis; and (iv) a pledge over 78% equity interest in Zhejiang Tianxin. The above-mentioned arrangements, taken as a whole, permit the results and

\* For identification purpose only

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## LETTER FROM THE BOARD

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financial conditions of Zhejiang Tianxin to be consolidated with that of the Company as if it was a subsidiary of the Company and that the economic benefit of the businesses of Zhejiang Tianxin and its subsidiaries flows to the Company.

The entering into the Structure Contracts constitutes a discloseable transaction for the Company under the GEM Listing Rules. As Ms. Tao Tsaiyun, the mother of Mr. Chen Ping (the executive director, chairman and substantial shareholder of the Company) and a Connected Person of the Company, holds 78% equity interest in Zhejiang Tianxin, Zhejiang Tianxin is an associate of Ms. Tao Tsaiyun and therefore a Connected Person of the Company. The entering into of the Structure Contracts also constitutes a connected transaction for the Company under the GEM Listing Rules. Since the Consideration is less than HK\$10,000,000 and each of the Percentage Ratios is less than 25%, the entering into of the Structure Contracts is exempt from the independent shareholders' approval requirements pursuant to rule 20.32 of the GEM Listing Rules.

The Structure Contracts are negotiated and entered into on an arm's length basis in the ordinary and usual course of business of the Group and on normal and commercial terms which, in the Directors' opinion, are fair and reasonable and in the interests of the Shareholders as a whole.

The purpose of this circular is to provide you with further details of the Structure Contracts and the transactions contemplated thereunder.

### THE STRUCTURE CONTRACTS

A brief summary of the terms of each of the constituent contracts and documents of the Structure Contracts are set out as follows:

#### (1) Framework Contract

Date:	14 June 2006
Parties:	The Company Zhejiang Tianxin Zhejiang Tianxin (Shareholders)

The Framework Contract serves as the backbone of the Structure Contracts whereby the respective parties to the Framework Contract have agreed to sign each of the Exclusive Right to Purchase Contract, the Pledge Contract, the Exclusive Business Cooperation Contract and the Powers of Attorney (where applicable) and provide certain representations and warranties pertinent to the implementation of the Structure Contracts and the future cooperation between the Company and Zhejiang Tianxin.

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## LETTER FROM THE BOARD

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### (2) Exclusive Right to Purchase Contract

Date: 14 June 2006

Parties: The Company  
Zhejiang Tianxin  
Zhejiang Tianxin (Shareholders)

Under the Exclusive Right to Purchase Contract, the Company will pay to Ms. Tao Tsaiyun RMB10,000,000 (approximately HK\$9,615,000) and Ms. Tao Tsaiyun will grant to the Company (or its designee) the right to acquire up to but not exceeding 78% equity interest in Zhejiang Tianxin (or any part thereof) currently owned by Ms. Tao Tsaiyun. Such right to purchase may be exercised by the Company (or its designee) at any time subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Business.

Under the current PRC laws, rules and regulations, there are certain restrictions against foreign investment in PRC enterprises engaged in the Business. As the relaxation and lifting of the aforementioned restrictions will be subject to the policy of the PRC Government, the Directors are in no position to advise when these restrictions will be fully lifted. Subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Business, the Company shall be able to acquire up to but not exceeding 78% equity interest in Zhejiang Tianxin (or any part thereof) and such equity interest shall be transferred at no additional consideration to the Company free from any liens, charges or other encumbrances whatsoever and together with the benefit of all rights attaching thereto at the time of exercise of the right to purchase, including the right to all dividend and other distributions thereafter declared, paid or made in respect thereof.

The Exclusive Right to Purchase Contract also contains covenants given by the Company, Zhejiang Tianxin and Zhejiang Tianxin (Shareholders) with respect to the governance and the conduct of the business by Zhejiang Tianxin, including, among others, a covenant by the Zhejiang Tianxin, together with Zhejiang Tianxin (Shareholders) who should procure the Company, not to sell, transfer or dispose in any way of Zhejiang Tianxin's assets without the prior written approval of the Company or the Exclusive Right to Purchase Contract provides otherwise.

### (3) Pledge Contract

Date: 14 June 2006

Parties: The Company  
Zhejiang Tianxin  
Ms. Tao Tsaiyun

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## LETTER FROM THE BOARD

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To secure the full performance and discharge of the obligations of Zhejiang Tianxin under the Exclusive Business Cooperation Contract (including but not limited to the immediate and complete payment of the Service Fees (as defined below)), Ms. Tao Tsaiyun has agreed to enter into the Pledge Contract and has granted to the Company a continuing first priority security interest over her interests in the issued share capital of Zhejiang Tianxin (the “**Pledged Securities**”). The Company is entitled to exercise its right to purchase the Pledged Securities for free or otherwise sell the Pledged Securities, on the occurrence of specified events, including, among others, any non-payment in full by Zhejiang Tianxin of the Service Fees (as defined below) or breach of other obligations under the Pledge Contract or any breach by Ms. Tao Tsaiyun of terms under the Pledge Contract.

**(4) Exclusive Business Cooperation Contract (attaching two Software Copyright Transfer Contracts and one Software Copyright Licensing Contract)**

Date: 14 June 2006

Parties: The Company  
Zhejiang Tianxin

Pursuant to the Exclusive Business Cooperation Contract, the Company has agreed to provide to Zhejiang Tianxin extensive technology support and consultation services including but not limited to technology services, technology development, business consultation, licensing of intellectual property rights, market consultation, product research and development and system maintenance. The parties (or their related parties) may, during the effective period of the Exclusive Business Cooperation Contract, (1) enter into further technology and consultation service agreements to prescribe specific terms and mode of provision of such services; (2) where necessary, enter into licensing agreements whereby the Company may license certain intellectual property rights to Zhejiang Tianxin; and (3) where necessary, enter into lease agreements whereby the Company may lease certain equipment and/or assets to Zhejiang Tianxin.

As consideration, Zhejiang Tianxin has agreed to pay to the Company service fees (the “**Service Fees**”), the amount of which will be determined and calculated on the basis of 78% of the cash value generated by Zhejiang Tianxin and its subsidiaries (either directly or indirectly controlled or interested in) from their operations through various commercial arrangements after taking into account Zhejiang Tianxin’s requirement for working capital and capital expenditure. The Service Fees shall also include the service fees to be paid by Zhejiang Tianxin pursuant to further technology and consultation service agreements between the parties as referred to in sub-paragraph (1) of the preceding paragraph. The Service Fees shall be paid to the Company on a quarterly basis. In the event that Zhejiang Tianxin and its subsidiaries shall generate no surplus cash in any quarter of the financial year as a result of their working capital needs, the Company shall receive no Service Fees in such quarter. The above arrangements will ensure the flow of the economic benefit of Zhejiang Tianxin and its subsidiaries to the Company.

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## LETTER FROM THE BOARD

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Under the Exclusive Business Cooperation Contract, the parties have agreed that the Company shall own all present and future rights, proprietary rights, interests, intellectual property rights generated or created as a result of performance of the Exclusive Business Cooperation Contract, whether or not they are developed by Zhejiang Tianxin, on an exclusive basis.

### (4A) Software Copyright Transfer Contracts

Date: 14 June 2006

Parties: The Company  
Zhejiang Tianxin

Pursuant to the two Software Copyright Transfer Contracts, Zhejiang Tianxin has agreed to assign certain copyrights (the “**Softwares’ Copyrights**”) of specific softwares owed by Zhejiang Tianxin to the Company at a consideration of RMB1 (approximately HK\$0.96) in respect of each assignment.

### (4B) Software Copyright Licensing Contract

Date: 14 June 2006

Parties: The Company  
Zhejiang Tianxin

Pursuant to the Software Copyright Licensing Contract, the Company has agreed to grant Zhejiang Tianxin a licence to use the Softwares’ Copyrights owned by the Company upon assignment of the same pursuant to Software Copyright Transfer Contracts for the payment of royalties the amount of which will be included in the Service Fees to be paid to the Company under the Exclusive Business Cooperation Contract.

### (5) Powers of Attorney

Date: 14 June 2006

Executed by: Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman  
and Mr. Weng Min

Ms. Tao Tsaiyun is currently the legal representative and sole director of Zhejiang Tianxin. The Structure Contracts do not contain any provision specifying the board composition of Zhejiang Tianxin upon completion of the transactions as contemplated under the Structure Contracts. However, each of Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min executed a power of attorney in favour of the Company pursuant to which he/she appoints the Company as his/her only and lawful attorney in his/her name and on his/her behalf to do or execute all or any of the following acts or things:

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## LETTER FROM THE BOARD

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- (i) to attend the shareholders' meetings of Zhejiang Tianxin;
- (ii) to exercise his/her voting rights in the shareholders' meetings of Zhejiang Tianxin in accordance with the relevant PRC laws and Zhejiang Tianxin's articles of association;
- (iii) to act as his/her authorized representative in the shareholders' meeting of Zhejiang Tianxin and appoint the legal representative (chairman of the board of directors), directors, supervisors, general manager and other senior managerial staff of Zhejiang Tianxin; and
- (iv) (in respect of Ms. Tao Tsaiyun only) to sign the agreement for the transfer of all or any part of 78% equity interest in Zhejiang Tianxin currently owned by Ms. Tao Tsaiyun subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Business.

As Ms. Tao Tsaiyun (the legal representative and sole director of Zhejiang Tianxin), the mother of Mr. Chen Ping (the executive director, chairman and substantial shareholder of the Company) and a Connected Person of the Company, holds 78% equity interest in Zhejiang Tianxin, Zhejiang Tianxin is an associate of Ms. Tao Tsaiyun and therefore a Connected Person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the other shareholders of Zhejiang Tianxin, namely, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min are Independent Third Parties.

As a result of the Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of Zhejiang Tianxin. The Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by the relevant PRC laws, rules and regulations) the right to acquire the equity interest in Zhejiang Tianxin. In summary, the Structure Contracts provide the Company with:

1. the right to receive the cash revenues received by Zhejiang Tianxin from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements;
2. the right to acquire 78% equity interest of Zhejiang Tianxin, as and when permitted by the relevant PRC laws, rules and regulations, for a pre-paid amount, that is, RMB10,000,000 (approximately HK\$9,615,000);
3. the right to ensure that the Company will own (i) the principal intellectual property rights of Zhejiang Tianxin; and (ii) all future intellectual property rights of Zhejiang Tianxin on an exclusive basis; and

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## LETTER FROM THE BOARD

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4. a pledge over 78% equity interest in Zhejiang Tianxin.

Zhong Lun Law Firm, the independent PRC legal advisers of the Company, has confirmed that each of the constituent contracts and documents of the Structure Contracts is valid, legally binding and enforceable under the PRC laws.

### CONSIDERATION

The Consideration comprises (i) RMB10,000,000 (approximately HK\$9,615,000), being the consideration payable by the Company to Ms. Tao Tsaiyun in respect of the right to acquire up to but not exceeding 78% equity interest in Zhejiang Tianxin (or any part thereof) under the Exclusive Right to Purchase Contract (the “**First Consideration**”); and (ii) RMB2 (approximately HK\$1.9), being the consideration payable by the Company to Zhejiang Tianxin in respect of the assignment of Softwares’ Copyrights under each of the two Software Copyright Transfer Contracts (the “**Second Consideration**”).

The Consideration has been agreed after arm’s length negotiations with reference to the audited net asset value of Zhejiang Tianxin for the year ended 31 December 2005 of approximately RMB13,117,000 (approximately HK\$12,612,500) and represents a discount of approximately 2.3% of 78% of such net asset value (approximately RMB10,231,260 (approximately HK\$9,837,750)).

The First Consideration shall be paid to a designated bank account of Zhejiang Tianxin within fifteen (15) days after the date of the Exclusive Right to Purchase Contract. Zhejiang Tianxin shall release the First Consideration to Ms. Tao Tsaiyun upon completion of all registration and approval procedures regarding the transfer of the 78% equity interest in Zhejiang Tianxin and delivery of all relevant documents of title.

The Second Consideration shall be paid to Zhejiang Tianxin within three (3) days from the date of the Software Copyright Transfer Contracts according to the directions of Zhejiang Tianxin.

The Directors are of the view that the Consideration and the mode of payment as mentioned above has been negotiated and determined on an arm’s length and on normal commercial terms. The Consideration payable to Zhejiang Tianxin and Ms. Tao Tsaiyun will be satisfied by cash out of the internal resources of the Group.

### INFORMATION ABOUT ZHEJIANG TIANXIN

Zhejiang Tianxin was a company incorporated in the PRC on 5 September 2003 and is engaged in technology development, provision of technology services and technology consultation in respect of computer software and internet technology, retail, wholesale and foreign investment involving computers and computer accessories, communication equipment, communication products and electronic products. As at the date of the Structure Contracts, its shareholding is held as to 78%, 10%, 8%, 3% and 1% by Ms. Tao Tsaiyun, Mr. Guo Qing, Mr. Wu Weimin, Mr. Yu Keman and Mr. Weng Min.

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## LETTER FROM THE BOARD

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The audited net asset value of Zhejiang Tianxin as at 31 December 2005, prepared under accounting principles generally accepted in PRC, was approximately RMB13,117,000 (approximately HK\$12,612,500).

The table below sets out the audited loss before and after taxation for Zhejiang Tianxin for each of the two years ended 31 December 2005, prepared under accounting principles generally accepted in PRC, respectively.

	<b>Year ended 31 December 2004 (RMB'000)</b>	<b>Year ended 31 December 2005 (RMB'000)</b>
<b>Zhejiang Tianxin</b>		
Loss before taxation	2,320	4,560
Loss after taxation	2,320	4,560

### REASONS AND BENEFITS OF ENTERING INTO THE STRUCTURE CONTRACTS

As a result of the Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of Zhejiang Tianxin. The Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by the relevant PRC laws, rules and regulations) the right to acquire the equity interest in Zhejiang Tianxin. Further, the arrangements under the Structure Contracts, taken as a whole, permit the results and financial position of Zhejiang Tianxin to be consolidated with the Company as if it was a subsidiary of the Company and that the economic benefit of the businesses of Zhejiang Tianxin and its subsidiaries flows to the Company. The Directors have consulted BDO McCabe Lo Limited, the auditors of the Group (the “**Auditors**”), regarding the accounting treatment of incorporating the accounts of Zhejiang Tianxin into that of the Company and the Auditors considered that such accounting treatment complied with the International Financial Reporting Standards. It is expected that Zhejiang Tianxin will contribute positively to the future earnings of the Group. Meanwhile, the Directors expect that the entering into of the Structure Contracts will increase the assets and liabilities of the Group.

The original cost of the 78% equity interest in Zhejiang Tianxin (under the Exclusive Right to Purchase Contract) to Ms. Tao Tsaiyun and the original cost of the copyright (under the Software Copyright Transfer Contracts) to Zhejiang Tianxin were RMB14,000,001 and nil respectively.

The Board believes that the terms of the Structure Contracts are negotiated on arm's length basis, fair and reasonable and in the interests of the Shareholders as a whole and that the entering into the Structure Contracts will not have any disadvantage for the Group.

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## LETTER FROM THE BOARD

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### INFORMATION ABOUT THE GROUP

The Group's principal activities are the provision of telecommunication solutions, trading of hardware and computer software and investment holdings.

The audited turnover of the Group for the two years ended 31 December 2004 and 31 December 2005 were RMB185,639,000 and RMB118,208,000 respectively.

The audited net profit of the Group for the year ended 31 December 2004 was RMB10,296,000. The audited net loss of the Group for the year ended 31 December 2005 was RMB28,348,000.

The audited net asset value (excluding minority interests) of the Group as at 31 December 2004 and 31 December 2005 were RMB149,529,000 and RMB121,181,000 respectively.

### DISCLOSEABLE AND CONNECTED TRANSACTION

According to the GEM Listing Rules, the entering into the Structure Contracts constitutes a discloseable transaction of the Company.

As Ms. Tao Tsaiyun, the mother of Mr. Chen Ping (the executive director, chairman and substantial shareholder of the Company) and a Connected Person of the Company, holds 78% equity interest in Zhejiang Tianxin, Zhejiang Tianxin is an associate of Ms. Tao Tsaiyun and therefore a Connected Person of the Company. The entering into of the Structure Contracts also constitutes a connected transaction for the Company under the GEM Listing Rules. Since the Consideration is less than HK\$10,000,000 and each of the Percentage Ratios is less than 25%, the entering into of the Structure Contracts is exempt from the independent shareholders' approval requirements pursuant to rule 20.32 of the GEM Listing Rules.

### FURTHER INFORMATION

Your attention is drawn to the additional information as set out in the Appendix

Yours faithfully,  
By order of the Board  
**Zheda Lande Scitech Limited\***  
**Chen Ping**  
*Chairman*

\* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (b) there are no other matters the omission of which would make any statement herein misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would be 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 and 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 rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares, underlying shares and debentures of the Company

Director	Type of interests	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have 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 which will be required, pursuant to section 352

of the SFO, to be entered in the register referred to therein; or which will be required, pursuant to rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT PERSONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors are aware, the persons (other than Directors, supervisors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO or who are 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 other member of the Group are as follows:

#### Long positions in the shares, underlying shares and debentures of the Company

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Insignia Technology Co. Ltd. (formerly Zhejiang University Innovation Technology Company Limited)	Beneficial owner	81,802,637 domestic shares	24.10%
Guoheng Media Science Group Company Limited	Beneficial owner	34,117,800 domestic shares	10.05%
Mr. Fong For	Beneficial owner	21,735,000 H shares	6.40%
Mr. Wu Zhong Hao	Beneficial owner	16,490,280 domestic shares	4.86%
Mr. Shi Chun Hua	Beneficial owner	16,490,280 domestic shares	4.86%

Save as disclosed above, the Directors are not aware of any person (other than the Directors, supervisors or chief executives of the Company) who, as at the Latest Practicable Date, has interests or short positions in the shares or underlying shares of the

Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be recorded in the register required to be kept under section 336 of the SFO, or who is 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 other member of the Group.

#### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

#### 5. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company.

Each of Mr. Chen Ping, Mr. Xue Shi Cheng, Mr. Hu Yang Jun, Mr. Cai Xiao Fu, Mr. Zhang De Xin and Mr. Gu Yu Lin has entered into a service agreement with the Company for an initial term of three years commencing on 30 September 2004 while each of Ms. Pan Lichun and Mr. Shi Lie has entered into a service contract with the Company effective from 22 August 2005 until the conclusion of the next annual general meeting of the Company at the following remuneration:

<b>Name of Director</b>	<b>Office</b>	<b>Remuneration</b> <i>(RMB per annum)</i>
Mr. Chen Ping	Executive Director	250,000
Mr. Xue Shi Cheng	Executive Director	20,000
Mr. Hu Yang Jun	Executive Director	20,000
Ms. Pan Lichun	Executive Director	20,000
Mr. Shi Lie	Executive Director	20,000
Mr. Gu Yu Lin	Independent Non-executive Director	10,000
Mr. Cai Xiao Fu	Independent Non-executive Director	10,000
Mr. Zhang De Xin	Independent Non-executive Director	10,000

Such remuneration does not include any bonus and is equivalent to the current remuneration of the Director.

All appointments are subject to termination in certain circumstances as stipulated in the relevant service agreement. In the event that the appointment of the Director is terminated in the annual general meeting of the Company without any reason, the relevant Director may claim for compensation from the Company.

As at the Latest Practicable Date, none of the above service agreements has been terminated.

Mr. Chen Ping, aged 40, is the chairman and the general manager of the Company, an advisor to students seeking their master degree and an associate professor at Zhejiang University. Mr. Chen Ping graduated from the Department of Computer Science and Technology at Zhejiang University with a bachelor degree and a master degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University, Mr. Chen Ping has been involved in the R&D of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize in 1993. Mr. Chen Ping had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University for 7 years up to 1997. Mr. Chen Ping has published two computer networking academic textbooks and professional technology magazines in China and has published more than ten of his academic papers. Mr. Chen Ping joined the Company in May 1997. Mr. Chen Ping is a promoter and substantial shareholder of the Company who holds approximately 10.72% of the issued share capital of the Company.

Mr. Xue Shi Cheng, aged 40, is the vice chairman of the Company. Mr. Xue Shi Cheng graduated from Zhejiang Agricultural University in July 1987 and has previously worked for the State Science & Technology Commission and the Ministry of Internal Trade. Moreover, Mr. Xue Shi Cheng has served as the deputy secretary-general of Beihai Government, the vice president of Guoheng Media Science Group Company Limited (formerly known as Beijing Guoheng High Technology Holding Company Limited), a promoter and substantial shareholder of the Company, the chairman of Beijing TianXiang Garden Bio-tech Investment Co. and the vice executive chairman of Venture Capital Association of Beijing where he was involved in the seeking and co-ordination of investments. Mr. Xue Shi Cheng has been involved in the investment and capital management of high technology products in the PRC and is particularly experienced in the investment of startup companies, the capital reorganisation of high-tech enterprises, mergers and acquisitions and promoting companies to be listed on the stock exchanges. Mr. Xue Shi Cheng joined the Company in April 2001.

Mr. Hu Yang Jun, aged 31, was the deputy general manager of Zhejiang Ju Neng Dongfang Holdings Company Limited and the manager of the import and export division of Zhejiang Dongfang Group. He graduated with a bachelor degree in Chinese Language and Literature from Anhui Normal University. Mr. Hu Yang Jun was appointed as a non-executive director of the Company since February 2004. Mr. Hu Yang Jun's position as non-executive director of the Company expired on 20 September 2004 and he was not offered for re-election at that time.

Mr. Cai Xiao Fu, 66, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices. Mr. Cai is currently an independent non-executive director of Sino Stride Technology (Holdings) Limited, a company whose shares are listed on the GEM (Stock code: 8177). Mr. Cai joined the Company in October 2001.

Mr. Zhang De Xin, 75, graduated from the Faculty of Electrical & Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956 respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 to conduct research in the fields of Electrical & Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical & Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He has also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang is awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times. Mr. Zhang joined the Company in October 2001.

Mr. Gu Yu Lin, 35, is an assistant accountant. Mr. Gu graduated from the Faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is currently working in the general office of Zhejiang University. He has been the independent supervisor of the Company before and was appointed as an independent non-executive Director since September 2004.

Ms. Pan Lichun, aged 37, graduated from the School of Economics of 浙江大學 (Zhejiang University) with a PhD degree. Ms. Pan was the assistant general manager and the vice general manager of 浙江天然集團股份有限公司 (Zhejiang Natural Holdings Limited) from 2000 to 2001. Ms. Pan was also the manager of investment department and the vice general manager of financial management centre in 浙江康恩貝集團有限公司 (Zhejiang Conba Group Company Limited) and the director of 浙江康恩貝製藥股份有限公司 (Zhejiang Conba Pharmaceutical Company Limited) from 2002 to 2005. Ms. Pan is currently the director and vice chief executive officer of 浙江浙大網新科技股份有限公司 (Zhejiang University Innovation Technology Company Limited) ("ZUITCL"), a limited company incorporated under the laws of the People's Republic of China, whose A shares are listed on the Shanghai Stock Exchange, and a substantial shareholder of the Company. Ms. Pan has been appointed as an executive Director with effect from 22 August 2005.

Mr. Shi Lie, aged 41, graduated from 浙江大學 (Zhejiang University) with a PhD degree in Computer Applications. Mr. Shi was the chief executive officer of 浙江浙大網新圖靈信息科技有限公司 (Zhejiang University Innovation Tuling Information Technology Company Limited) from September 1990 to August 2002. Mr. Shi is currently the director and the chief executive officer of ZUITCL. Mr. Shi has been appointed as an executive Director with effect from 22 August 2005.

Save as disclosed above, each of the above Directors has not held any directorship in other listed public companies in the last three years.

Save as disclosed above, as at the date of this circular, each of the above Directors does not hold any interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO and is not a connected person of the Company as defined

in the GEM Listing Rules. Meanwhile, save as disclosed in this circular, each of the above Directors does not have relationships with any of the Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Save as disclosed above, as at the Latest Practicable Date, there is no other existing service agreement entered into or proposed service agreement to be entered into between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## **7. GENERAL**

- (a) The registered office of the Company is located at 4th Floor, 108 Gu Cui Road, Hangzhou City, PRC.
- (b) The principal place of business of the Company in Hong Kong is located at Units 1116-1119, Sun Hung Kai Center, 30 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The qualified accountant and the secretary of the Company is Miss Chan Ching Yi, Yvonne who is an associate member of The Association of Chartered Certified Accountants.
- (e) The compliance officer of the Company is Mr. Xue Shi Cheng who is also an executive Director.
- (f) The Company has 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 primary duties of the audit committee of the Company are to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Directors. The audit committee comprises the three independent non-executive Directors, namely Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu, whereas Mr. Gu Yu Lin is the chairman.

Mr. Gu Yu Lin, 35, is an assistant accountant. Mr. Gu graduated from the Faculty of Finance and Accounting of Fudan University in June 1997. Mr. Gu is currently working in the general office of Zhejiang University. He has been the independent supervisor of the Company before and was appointed as an independent non-executive Director since September 2004.

Mr. Zhang De Xin, 75, graduated from the Faculty of Electrical & Mechanical Engineering at Zhejiang University in July 1953 and at Tsing Hua University in June 1956 respectively. He attended Illinois Institute of Technology in the United States from June 1982 to May 1984 to conduct research in the fields of Electrical & Mechanical as well as Computer Engineering. Professor Zhang has served as a professor at Zhejiang University's faculties of Electrical & Mechanical Engineering, Wireless Engineering and Computer Science for 37 years since 1956. He has also been a committee member of Zhejiang Political Consultative Conference for two terms in 1988 and 1993. Moreover, Professor Zhang has been involved in numerous research projects and studies in computing networks. Professor Zhang is awarded winner of the Zhejiang Province Science and Technology Advancement in 1989, 1991 and 1993 for three times. Mr. Zhang joined the Company in October 2001.

Mr. Cai Xiao Fu, 66, is a senior engineer and the chairman of Zhejiang Province Software Industry Association, inspecting and monitoring the development of Zhejiang Province IT industry. Mr. Cai graduated from Tsing Hua University's faculty of Control Automation in July 1963. He attended the Polytechnic of Cranfield in the United Kingdom during October 1981 to January 1984 to research aeronautics and computer simulation devices. Mr. Cai is currently an independent non-executive director of Sino Stride Technology (Holdings) Limited, a company whose shares are listed on the GEM (Stock code: 8177). Mr. Cai joined the Company in October 2001.

Save as disclosed above, each of the audit committee members has not held any directorship in any company listed on the Stock Exchange or other stock exchanges in the past three years.

- (g) Save as disclosed in this circular, none of the Directors is interested in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, the date to which the latest published audited accounts of the Company were made up.
- (h) The Directors believe that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 December 2005.
- (i) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Li & Partners during normal business hours at Room 2201-03, 22nd Floor, World Wide House, 19 Des Voeux Road Central, Hong Kong from the day of this circular up to 21 July 2006:

- (a) the service agreements as referred to in the section headed “Directors’ Service Contracts” of this Appendix; and
- (b) the Structure Contracts.