



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 2004**

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

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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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

HIGHLIGHTS

- Achieved a turnover of approximately RMB185,639,000 for the year ended 31 December 2004, representing an approximately 12.82% increase as compared with the turnover for the year 2003
- Accomplished a net profit of approximately RMB10,296,000 for the year ended 31 December 2004, representing an approximately 15.88% decrease as compared with the net profit for the year 2003
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2004

2004 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 2004 and the audited consolidated balance sheet of the Group as at 31 December 2004 as follows:

Consolidated income statement

	<i>Notes</i>	2004 RMB'000	2003 RMB'000
Turnover	2	185,639	164,551
Cost of sales		(129,517)	(117,464)
Gross profit		56,122	47,087
Other operating income	3	1,351	4,427
Distribution expenses		(10,067)	(12,290)
Administrative expenses		(27,101)	(18,095)
Other operating expenses		(370)	(1,077)
Profit from operations	4	19,935	20,052
Finance costs, net		(4,247)	(2,323)
Share of losses of associates		(1,558)	(542)
Profit before taxation and minority interests		14,130	17,187
Taxation	5	(3,609)	(785)
Profit before minority interests		10,521	16,402
Minority interests		(225)	(4,162)
Net profit attributable to shareholders		10,296	12,240
Dividends	6	–	3,396
Earnings per share			
– Basic	7	RMB0.030	RMB0.036

Consolidated balance sheet

	<i>Notes</i>	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment		7,606	8,111
Intangible assets		11,895	4,780
Interests in associates		7,827	4,949
Long-term prepayments		396	418
		27,724	18,258
Current assets			
Inventories		10,062	9,538
Contract work in progress		14,743	22,230
Trade receivables	8	103,340	60,549
Prepayments and other receivables		90,617	56,584
Pledged bank deposits		11,020	11,619
Bank balances and cash		39,804	82,912
		269,586	243,432
Current liabilities			
Trade payables and notes payables	9	44,672	36,216
Receipt in advance from customers		10,060	8,507
Other payables and accruals		13,536	1,752
Taxation		3,245	863
Short-term borrowings		66,500	65,000
		138,013	112,338
Net current assets		131,573	131,094
Total assets less current liabilities		159,297	149,352
Non-current liabilities			
Minority interests		9,768	6,723
Net assets		149,529	142,629
Capital and reserves			
Share capital		33,958	33,958
Reserves	10	115,571	108,671
		149,529	142,629

Notes:

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 20 September 2001 and its H shares were listed on the GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002 (the "Prospectus").

The financial statements of the Group have been prepared in accordance with International Accounting Standards published by the International Accounting Standards Board and the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. TURNOVER

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

3. OTHER OPERATING INCOME

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Subsidy income		
– Net VAT refund (<i>Note</i>)	620	4,123
Commission income	605	–
Gain on disposal of an associate	100	–
Other income	26	304
	<u>1,351</u>	<u>4,427</u>

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.

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Depreciation of property, plant and equipment	2,292	2,462
Amortisation of intangible assets	4,245	2,324
Interest on borrowings	<u>4,562</u>	<u>3,100</u>

5. TAXATION

Taxation in the consolidated income statement comprises:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Enterprise income taxes ("EIT")		
– current taxation	4,408	981
– overprovision in prior years	<u>(799)</u>	<u>(196)</u>
	<u>3,609</u>	<u>785</u>

The Company was subject to EIT at a rate of 15% for the year ended 31 December 2004. The Company was approved and classified as a State Key Software Enterprises and subject to EIT at a rate of 10% for the year ended 31 December 2003.

In accordance with the relevant PRC income tax rules and regulations, and approval given by local tax bureau, majority of the Company's subsidiaries are exempt from EIT and other subsidiaries are taxed at the statutory rate of 33% of their respective assessable income for the year ended 31 December 2004.

As of 31 December 2004, there was no material deferred taxation for the Group.

6. DIVIDENDS

	2004 RMB'000	2003 <i>RMB'000</i>
Proposed final dividends – Nil (2003: RMB0.01) per share	<u>–</u>	<u>3,396</u>

7. EARNINGS PER SHARE

Earnings per share have been computed by dividing net profit for the year ended 31 December 2004 of approximately RMB10,296,000 (2003: approximately RMB12,240,000) by the number of 339,577,000 shares (2003: 339,577,000 shares) in issue during the year.

The diluted earning per share was not calculated, because no potential dilutive shares existed during the relevant years.

8. TRADE RECEIVABLES

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

	2004 RMB'000	2003 <i>RMB'000</i>
Less than one year	88,045	50,113
Over one year but less than two years	13,467	8,829
Over two years but less than three years	2,376	3,214
Over three years	5,858	4,799
	<u>109,746</u>	<u>66,955</u>
Provision for bad and doubtful debts	(6,406)	(6,406)
	<u>103,340</u>	<u>60,549</u>

There were no specific credit terms granted to the customers. Provision is made for doubtful debts based on reviews of the status of individual accounts receivable outstanding.

9. TRADE PAYABLES AND NOTES PAYABLES

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

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Less than one year	44,282	35,850
Over one year but less than two years	390	366
	<u>44,672</u>	<u>36,216</u>

10. RESERVES

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Proposed final dividends <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2003	71,988	2,677	1,991	19,775	–	96,431
Net profit for the year	–	–	–	12,240	–	12,240
Proposed final dividends	–	–	–	(3,396)	3,396	–
Profit appropriations	–	2,042	1,021	(3,063)	–	–
	<u>71,988</u>	<u>4,719</u>	<u>3,012</u>	<u>25,556</u>	<u>3,396</u>	<u>108,671</u>
At 31 December 2003	71,988	4,719	3,012	25,556	3,396	108,671
Net profit for the year	–	–	–	10,296	–	10,296
Final dividends paid	–	–	–	–	(3,396)	(3,396)
Profit appropriations	–	1,290	645	(1,935)	–	–
	<u>71,988</u>	<u>6,009</u>	<u>3,657</u>	<u>33,917</u>	<u>–</u>	<u>115,571</u>
At 31 December 2004	<u>71,988</u>	<u>6,009</u>	<u>3,657</u>	<u>33,917</u>	<u>–</u>	<u>115,571</u>

11. 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;
- (iii) Other related service which represents the provision of telecommunication value-added services.

	Provision of telecommunications solutions		Trading of hardware and computer software		Other related service		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	<u>71,272</u>	<u>71,394</u>	<u>97,289</u>	<u>84,148</u>	<u>17,078</u>	<u>9,009</u>	<u>185,639</u>	<u>164,551</u>
Segment results	<u>23,969</u>	<u>18,065</u>	<u>15,199</u>	<u>11,373</u>	<u>6,887</u>	<u>5,358</u>	<u>46,055</u>	<u>34,796</u>
Unallocated revenue							1,351	4,427
Unallocated expenses							(27,471)	(19,171)
Profit from operations							19,935	20,052
Finance cost, net							(4,247)	(2,323)
Share of losses of associates							(1,558)	(542)
Profit before taxation and minority interests							14,130	17,187
Taxation							(3,609)	(785)
Minority interests							(225)	(4,162)
Net profit attributable to shareholders							<u>10,296</u>	<u>12,240</u>
Segment assets	<u>76,709</u>	<u>102,984</u>	<u>86,570</u>	<u>55,075</u>	<u>6,548</u>	<u>2,930</u>	<u>169,827</u>	<u>160,989</u>
Interests in associates							5,329	4,949
Unallocated assets							<u>122,154</u>	<u>95,752</u>
Total assets							<u>297,310</u>	<u>261,690</u>
Segment liabilities	<u>18,498</u>	<u>6,204</u>	<u>33,032</u>	<u>8,801</u>	<u>3,203</u>	<u>894</u>	<u>54,733</u>	<u>15,899</u>
Unallocated liabilities							<u>83,280</u>	<u>96,439</u>
Total liabilities							<u>138,013</u>	<u>112,338</u>

	Provision of telecommunications solutions		Trading of hardware and computer software		Other related service		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information:								
Capital expenditure	12,568	2,494	120	2,933	635	599	13,323	6,026
Provision for bad and doubtful debts	–	1,259	–	1,330	–	–	–	2,589
Depreciation	1,498	1,918	581	513	213	31	2,292	2,462
Amortisation	<u>4,245</u>	<u>2,324</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,245</u>	<u>2,324</u>

(b) *Secondary reporting segment – geographical segment*

The Group operates within one geographical segment, namely 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 2004 (2003: RMB3,396,000 declared).

CLOSURE OF H SHARE REGISTER

The H share register of shareholders of the Company will be closed from 21 April 2005 to 20 May 2005 (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 2004, the audited consolidated turnover of the Group was approximately RMB185,639,000, bearing a growth of approximately RMB21,088,000, or approximately 12.82% as compared with that of 2003.

The audited net profit attributable to shareholders of the Group for the year ended 31 December 2004 was approximately RMB10,296,000, bearing a decrease of approximately RMB1,944,000, or approximately 15.88% as compared with that of 2003.

2. *Product development*

During the year, the Group reformed the business structure and made corresponding adjustments on the organisational structure. Based on the existing business foundation, the Group re-defined its principal operation of business: application services and value-added services.

Regarding application services, it aimed at two product pillars: the operational management support system and the business support system. The impetus for development was justified and reinforced, which resulted in accomplishing the development on the base of J2EE new version.

Regarding the value-added services, the Group based on its traditional value-added business to continue on correlated product R&D and enhancement. The emphasis of development included artificial secretarial service, SMS business, WAP business, and voice mail related value-added operations. For artificial secretarial service, the functions like phone magazines and billing function were added; whereas in SMS business, it could support SGIP (Unicom SMS Net Gateway Nexus Agreement), CMPP (Mobile SMS Net Gateway Nexus Agreement), SMGP (Telecom Xiao Ling Tong “小靈通” Net Gateway Nexus Agreement) at the same time. In the aspect of WAP operation, it provided applications like ringing tone, photo downloading, questions answering, information browsing, games, etc. For voice mail application platform, it has developed application services like fantasy talk, songs choosing, media interaction, voice SMS, athletic guess, etc.

3. *Marketing and business development*

During the year, the Group has captured at a blow its market share for the management support system among the China Mobile companies covering five provinces (Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile, Nei Mongol Mobile), China Unicom companies covering eight provinces (Zhejiang Unicom, Tianjin Unicom, Shanghai Unicom, Chongqing Unicom, Nei Mongol Unicom, Anhui Unicom, Guangxi Unicom, Tibet Unicom) and the nine provinces of North China Division of China Telecom, having lapsed to number-one position of the Nation. Regarding the telecom operation support system, the Group succeeded in entering agreement with the North China Division of the China Telecom for the third phase project. Discussion is undergoing now for many provinces with the South China Division of the China Telecom. Apart from that, the Group has started testing the operation support system for the railway telecom; it will have its trial run from April to May of 2005.

During the year, the Group's wireless fixed phone products succeeded in having bids for Guizhou Mobile and Shaanxi Unicom, and have progressed into next round of bids for Jiangsu Mobile and Ningxia Unicom.

During the year, the Group has constituted a value-added business consortium and organizational structure with its core deriving from its subsidiary company, Zhejiang Sichuang Information Technology Company Limited. The Group's value-added business came off in terms of plunging itself into even more provinces and cities. When compared to last year, the value-added correlating business has increased by 178% in its business operating revenue. The Group's operational products such as artificial secretary, SMS, voice mail application platform and WAP, etc, are now having comparatively more stable customer base. Phone on-line game is one of the Group's paramount products which is currently in its initial phase of development and investment, including but not limited to chess type games and mentally-beneficial games. Presently, a number of on-line games that are developed in the consortium have marched into the stage of internal testing at large scale, and will be launched to mobile phone users shortly.

4. Co-operation and interflow

During the report period, the Group carried on to maintain co-operation with Zhejiang University and well-known international companies (Hua Wei and IBM), and conducted interflow of concepts and probed into technology ideas.

5. Employees information

- As at 31 December 2004, the Group had 307 (2003: 354) employees in total. The total staff costs of the Group for the year amounted to approximately RMB10,982,000 (2003: RMB12,828,000).
- The Group implemented the target annual compensation system, an integrated system mingled with respect to department's and staff's performances and remuneration of the individual staff. This compensation system was resulted from the performance appraisal ratings. Through the combination of performance appraisal and target annual salary, the Group managed effectively over performance and results. At the same time, the Group could put forward effective incentive schemes for the staff. The direct linkage between staff income, individual performance target and performance target of the respective department assured efficiently the accomplishment of the target of the Group. The Group believed that the said target annual compensation system could provide substantial protection to ensure the Group's business result. The Group did not issue any share options nor had any bonus plan.
- The Group did envisage the training agenda on staff's quality and skills. The Group could understand proper training needs and derived manpower training plans by means of a crossing-match between staff positions and capacities. The Group has invited sought-after professional consulting companies to design training system and deliver courses. These were done to satisfy the demand for commitment in the aspects of company growth and staff career planning. To this end, a human resources hierarchy was synthesized in the Group.

Financial Review

- The Group maintained creditable financial conditions. For the year ended 31 December 2004, the Group was mainly financed by funds generated from daily operations, bank borrowings and the listing proceeds.
- As at 31 December 2004, the Group's cash and bank balances amounted to approximately RMB50,824,000 (31 December 2003: RMB94,531,000).
- As at 31 December 2004, the Group had outstanding short-term borrowings amounted to RMB66,500,000 (31 December 2003: RMB65,000,000), bearing an average interest rate of 5.43% (31 December 2003: 5.02%).
- As at 31 December 2004, the Group had a total asset value of approximately RMB297,310,000 (31 December 2003: RMB261,690,000).
- As at 31 December 2004, the Group had current liabilities of approximately RMB138,013,000 (31 December 2003: RMB112,338,000).

- As at 31 December 2004, the Group had shareholders' equity of approximately RMB149,529,000 (31 December 2003: RMB142,629,000).
- As at 31 December 2004, the Group had minority interests of approximately RMB9,768,000 (31 December 2003: RMB6,723,000).
- As at 31 December 2004, the Group had a gearing ratio (the ratio of liabilities to total assets) of approximately 46.42% (31 December 2003: 42.93%).
- As at 31 December 2004, the Group had a net current ratio (the ratio of current liabilities to current assets) of approximately 51.19% (31 December 2003: 46.15%).
- Since substantially all of the Group's account payables and account receivables are in Reminbi, there is minimal exposure due to any material foreign currency exchange risk.
- As at 31 December 2004, the Group had no contingent liabilities (31 December 2003: nil).
- As at 31 December 2004, bank deposits amounting to approximately RMB11,020,000 (31 December 2003: RMB11,619,000) was pledged to secure general banking facilities of the Group.

Future Prospects

1. Orders and contracts in hand

The Group has orders in hand with an aggregate amount not less than RMB40,000,000. Amongst which include the management support system for China Mobile companies with a coverage of five provinces (Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile, Nei Mongol Mobile), China Unicom companies with a coverage of eight provinces (Zhejiang Unicom, Tianjin Unicom, Shanghai Unicom, Chongqing Unicom, Nei Mongol Unicom, Anhui Unicom, Guangxi Unicom, Tibet Unicom) and the nine provinces of North China Division of China Telecom. In the area of telecom business support system, the Group has also won contract of the third phase project of the North China Division of the China Telecom.

2. Prospects of new business and new products

In the year 2005, in the area of application service system, the Group will focus on the renovation project concerning the business support system of South Division of the China Telecom, concentrating in provinces like Jiangxi, Guangdong, Zhejiang, Xiangjin, Hubei, Qinghai, etc. Telecom operational analysis system is mainly centralised in China Telecom and China Netcom, amongst which China Telecom is mainly in Hubei, while China Netcom is centralised at its headquarters' system establishment. Furthermore, in 2005, the Group will try its first hand in railway telecom market. At present, the systems in testing railway branch offices is near completion, and will have trial run from April to May of 2005.

In the aspect of value-added service system, the Group will continue to take effort in penetrating into the value-added business product development and promotions comprising short message (SMS) , voice mail, secretarial station, WAP, etc, and also continue to intensify the R&D effort in phone on-line games. Referring to voice mail business, products such as voice recognising and voice synthesising are to be launched; whereas for SMS operations, SMS application in different trades and industries will undergo active promotion, products like traffic SMS, family-link SMS are in the place. The Group also process technology storing

correlated to positioning and pop media, and follow up in accordance with the construction situation of commercial operation system fundamental platform. After all, the positioning business can be put to application value when mixed up with the original SMS. WAP, artificial platform, voice mail platform. For value-added business, the Group's objective is to become the Nation's paramount developer and business operator in phone games and becomes an unitary body comprising mobile phone games and mobile phone entertainments.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2004 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 2004.

BOARD PRACTICES AND PROCEDURES

During the year, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules which applied before the amendments to the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report which took effect on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31 December 2005.

On behalf of the Board

Chen Ping

Chairman

23 March 2005, Hangzhou, the PRC

As at the date of this announcement, the Board comprises five executive directors, being Mr. Chen Ping, Mr. Zhao Jian, Mr. Xue Shi Cheng, Mr. Chen Chun and Mr. Hu Yang Jun, and three independent non-executive directors, being Mr. Cai Xiao Fu, Mr. Zhang De Xin and Mr. Guo 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.

* *for identification only*