



ZDL
浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

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

04

THIRD
QUARTERLY
REPORT

* for identification purpose only



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 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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 RMB104,433,000 for the nine months ended 30 September 2004, representing an approximately 8.43% increase as compared with the turnover for the corresponding period in 2003.
- Accomplished a net profit of approximately RMB10,330,000, representing an approximately 3.76% increase as compared with the net profit for the corresponding period in 2003.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004.

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the third quarterly report of the Company and its subsidiaries (the "Group") for the nine and three months ended 30 September 2004.

2004 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2004, the Group recorded an unaudited turnover of approximately RMB104,433,000, representing a growth of approximately RMB8,120,000, or approximately 8.43%, as compared with the turnover of the same period in 2003. For the three months ended 30 September 2004, the Group recorded an unaudited turnover of approximately RMB49,040,000, representing a decrease of approximately RMB448,000, or approximately 0.91%, as compared with the turnover of the same period in 2003.

For the nine and three months ended 30 September 2004, the Group recorded an unaudited net profit of approximately RMB10,330,000 and RMB3,987,000 respectively.

The unaudited results of the Group for the nine and three months ended 30 September 2004 together with the unaudited comparative figures for the corresponding periods in 2003 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Turnover	2	104,433	96,313	49,040	49,488
Cost of sales		(70,767)	(67,025)	(36,289)	(36,171)
Gross profit		33,666	29,288	12,751	13,317
Value-added tax refunds		620	4,787	–	549
Distribution costs		(6,199)	(7,754)	(2,213)	(3,486)
Administrative expenses		(12,505)	(12,811)	(4,160)	(4,273)
Other operating expenses		(255)	(56)	(35)	(125)
Profit from operations		15,327	13,454	6,343	5,982
Finance costs, net		(3,036)	(1,556)	(1,245)	(938)
Share of profits of associates		191	–	–	–
Profit before taxation		12,482	11,898	5,098	5,044
Taxation	3	(2,245)	(1,230)	(882)	(513)
Profit before minority interests		10,237	10,668	4,216	4,531
Minority interests		93	(712)	(229)	(787)
Net profit		10,330	9,956	3,987	3,744
Earnings per share – basic	4	RMB0.030	RMB0.029	RMB0.012	RMB0.011



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 Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Turnover

	Nine months ended 30 September		Three months ended 30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of telecommunications solutions				
– System integration	33,085	46,007	11,088	24,437
– Sales of self-developed software	17,043	31,274	6,511	15,097
	<u>50,128</u>	<u>77,281</u>	<u>17,599</u>	<u>39,534</u>
Trading of hardware and software	37,596	19,032	21,723	9,954
Other related services	16,709	–	9,718	–
	<u>104,433</u>	<u>96,313</u>	<u>49,040</u>	<u>49,488</u>

3. Taxation

	Nine months ended 30 September		Three months ended 30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax	2,245	1,230	882	513

The Company has been classified as an Advanced Technology Enterprise by the Scientific Technology Committee of Zhejiang Province. As an Advanced Technology Enterprise incorporated in the National Advanced Technology Industry Development Area in Hangzhou, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 15%.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-33% in accordance with respective local tax laws and regulations.

The business of the Group is conducted in PRC and therefore is not subject to Hong Kong profits tax.

4. Earnings per share

Earnings per share have been computed by dividing net profit for the nine and three months ended 30 September 2004 of approximately RMB10,330,000 and approximately RMB3,987,000 (same periods in 2003: approximately RMB9,956,000 and approximately RMB3,744,000) by 339,577,000 (same period in 2003: 339,577,000) shares in issue.

No diluted earnings per share were presented for the nine and three months ended 30 September 2004 and 2003 as there was no potential dilutive securities in existence during the relevant periods.

5. Reserves

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2004 and 2003:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>
At 1 January 2003	71,988	2,677	1,991	19,775	-
Net profit	-	-	-	6,212	-
At 30 June 2003	71,988	2,677	1,991	25,987	-
Net profit	-	-	-	3,744	-
At 30 September 2003	<u>71,988</u>	<u>2,677</u>	<u>1,991</u>	<u>29,731</u>	-
At 1 January 2004	71,988	4,719	3,012	25,556	3,396
Net profit	-	-	-	6,343	-
Final dividend declared	-	-	-	-	(3,396)
At 30 June 2004	71,988	4,719	3,012	31,899	-
Net profit	-	-	-	3,987	-
At 30 September 2004	<u>71,988</u>	<u>4,719</u>	<u>3,012</u>	<u>35,886</u>	-



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2004, the Group recorded an unaudited turnover of approximately RMB104,433,000, representing a growth of approximately RMB8,120,000, or approximately 8.43%, as compared with the turnover of the same period in 2003. For the three months ended 30 September 2004, the Group recorded an unaudited turnover of approximately RMB49,040,000, representing a decrease of approximately RMB448,000 or 0.91%, as compared with the turnover of the same period in 2003.

For the nine and three months ended 30 September 2004, the Group recorded an unaudited net profit of approximately RMB10,330,000 and RMB3,987,000 respectively, compared to approximately RMB9,956,000 and approximately RMB3,744,000 respectively for the nine months and three months ended 30 September 2003.

BUSINESS REVIEW

Product development

During the period under review, regarding the area of telecom value-added service, in addition to the traditional value-added services such as short messages and internet value-added service, the Group intensified its effort in value-added service for the business sector, especially value-added service for the finance industry. At present, the Group has already developed business in various aspect of credit card operation, including instant broadcasting of consumer information, statement transmission, balance enquiries, and unified payment, etc. On the other hand, the Group also interested in the development of mobile phone games. Following the completion of Chinese characterization project and other research and development projects outsourced by mobile phone operators, the Group extends full strength to become engaged in the development and operations of mobile phone games on its own with products lines including chess, cards, role-plays and other thought-provoking games, etc.

Internally, at the same time, the Group consolidated its product structure. This was done by re-designating the telecom support, management support, system integration and related products under the Group's "Application Service Product System". The Group will keep on enhancing products, raising quality and enlarging product functions, which aims to provide even further enhancements in customer service.



Marketing and business development

During the period under review, the Group strove for market development. The Group signed the contract of toll calculation system for the second phase of digital communication (CDMA) network construction project, the contract of upgrading of web-based operation for the first phase of Northern Telecom construction project, the contract of integrated management information system for Tainjin Unicom as well as the contract of MSS system for Chongqing Unicom. At the same time, the Group, while emphasizing on the solidification of market position of its existing products, utilized its present sales and distribution channels and public relations resources to further explore new product market. Capitalizing on the strong relationship with telecom operators like China Mobile, China Unicom and China Telecom, which was resulted through years of cooperation with them, the Group continued to explore new cooperation opportunity in the area of value-added products and digital information. At present, the Group has set up its value-added service product line through the launch of the instant finance information service, public information and online payment system to the market. Such business initiatives came off with a scenic market.

Future prospects

The Group will maintain its advantageous position within the industry. The Group will continuously facilitate the product structure and strengthen its market competitive power by increasing research effort. In the light of its ever-increasing input in the aspect of value-added service, the development direction is clear. The Group will be dedicated to value-added service business as an innovated source of profit growth. The Group will introduce value-added products in multi-dimensions.

For those products having traditional advantages, such as the management support system, the Group will keep the same leading position as before.



DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 September 2004, none of the Directors, Supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are 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 or 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 the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Type of interests	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
<i>Directors</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%
Chen Chun	Personal	Beneficial owner	4,094,130	1.21%

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principal terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in the Prospectus. Up to 30 September 2004, no option has been granted pursuant to such share option scheme.

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 30 September 2004, no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be 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 member of the Group; or who were substantial shares as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Shareholder	Capacity	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Zhejiang Qware Information Technology Investment & Consulting Company Limited	Beneficial owner	34,117,800	10.05%
Beijing Guoheng High Technology Holding Co., Ltd.	Beneficial owner	34,117,800	10.05%
Zhejiang University Innovation Information Holdings Company Limited	Beneficial owner	34,117,800	10.05%
Shi Chu Hua	Beneficial owner	16,490,280	4.86%
Wu Zhong Hao	Beneficial owner	16,490,280	4.86%

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"), neither Core Pacific - Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30 September 2004.



Pursuant to the sponsor agreement dated 24 April 2002 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the remaining period up to 31 December 2004 or until the sponsor agreement is terminated pursuant to the terms and conditions set out therein.

AUDIT COMMITTEE

The Company 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 audit committee comprises the three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin , and Mr. Cai Xiao Fu where Mr. Gu Yu Lin as the chairman. The third quarterly report of the Group for the nine months ended 30 September 2004 have been reviewed 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 period from 1 January 2004 to 30 September 2004.

BOARD PRACTICE AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the nine months ended 30 September 2004.

On behalf of the Board

Chen Ping
Chairman

12 November 2004, Hangzhou, the PRC