



浙大蘭德

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)*

## Third Quarterly Report 2003

*\* 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.**

**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 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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*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 RMB96,313,000 for the nine months ended 30 September 2003, representing an approximately 66.4% increase as compared with the turnover for the corresponding period in 2002
- Accomplished a net profit of approximately RMB9,956,000 for the nine months ended 30 September 2003, representing a decrease of approximately 4.2% as compared with the net profit for the corresponding period in 2002
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003

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 months and three months ended 30 September 2003.

## 2003 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2003, the Group recorded an unaudited turnover of approximately RMB96,313,000, representing a growth of approximately RMB38,439,000, or approximately 66.4%, as compared with the turnover of the same period in 2002. For the three months ended 30 September 2003, the Group recorded an unaudited turnover of approximately RMB49,488,000, representing a growth of approximately RMB32,104,000, or 184.7%, as compared with the turnover of the same period in 2002.

For the nine months and three months ended 30 September 2003, the Group recorded an unaudited net profit of approximately RMB9,956,000 and RMB3,744,000 respectively.

The unaudited results of the Group for the nine months and three months ended 30 September 2003 together with the unaudited comparative figures for the corresponding periods in 2002 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Sales, net	2	<b>96,313</b>	57,874	<b>49,488</b>	17,384
Cost of sales		<b>(67,025)</b>	(32,136)	<b>(36,171)</b>	(4,873)
Gross profit		<b>29,288</b>	25,738	<b>13,317</b>	12,511
Distribution costs		<b>(7,754)</b>	(3,472)	<b>(3,486)</b>	(1,284)
Administrative expenses		<b>(12,811)</b>	(8,582)	<b>(4,273)</b>	(4,030)
Other operating expenses		<b>(56)</b>	(119)	<b>(125)</b>	(61)
Profit from operations		<b>8,667</b>	13,565	<b>5,433</b>	7,136
Finance costs, net		<b>(1,556)</b>	(818)	<b>(938)</b>	(447)
Value added tax refund		<b>4,787</b>	–	<b>549</b>	–
Profit before taxation and minority interests		<b>11,898</b>	12,747	<b>5,044</b>	6,689
Income tax expense	3	<b>(1,230)</b>	(2,017)	<b>(513)</b>	(1,061)
Profit before minority interests		<b>10,668</b>	10,730	<b>4,531</b>	5,628
Minority interests		<b>(712)</b>	(339)	<b>(787)</b>	(307)
Net profit		<b>9,956</b>	10,391	<b>3,744</b>	5,321
Earnings per share – Basic	4	<b>RMB0.029</b>	RMB0.036	<b>RMB0.011</b>	RMB0.016

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 applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

## 2. Sales, net

	Nine months ended 30 September		Three months ended 30 September	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Provision of telecommunications solutions				
– System integration	46,007	56,550	24,437	17,384
– Sales of self-developed software	31,274	–	15,097	–
	<u>77,281</u>	<u>56,550</u>	<u>39,534</u>	<u>17,384</u>
Trading of hardware and software	19,032	1,324	9,954	–
	<u>96,313</u>	<u>57,874</u>	<u>49,488</u>	<u>17,384</u>

## 3. Income tax expense

	Nine months ended 30 September		Three months ended 30 September	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
PRC income tax	1,230	2,017	513	1,061

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 months and three months ended 30 September 2003 of approximately RMB9,956,000 and approximately RMB3,744,000 (2002: approximately RMB10,391,000 and approximately RMB5,321,000) by the number of 339,577,000 shares (2002: weighted average number of 290,702,000 shares and 339,577,000 shares) in issue as if the subdivision of the Company's shares as described in Appendix VI of the Prospectus had taken place at the beginning of the relevant periods.

No diluted earnings per share were presented for the nine months and three months ended 30 September 2003 and 2002 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 2003 and 2002:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>
At 1 January 2002	–	1,306	1,306	–	10,311
Net profit	–	–	–	–	5,070
Issue of H Shares under placement	87,490	–	–	–	–
Share issuing expenses	(15,518)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2002	71,972	1,306	1,306	–	15,381
Net profit	–	–	–	–	5,321
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 September 2002	<u>71,972</u>	<u>1,306</u>	<u>1,306</u>	<u>–</u>	<u>20,702</u>
At 1 January 2003	71,972	2,677	1,991	16	19,775
Net profit	–	–	–	–	6,212
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 June 2003	71,972	2,677	1,991	16	25,987
Net profit	–	–	–	–	3,744
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 September 2003	<u>71,972</u>	<u>2,677</u>	<u>1,991</u>	<u>16</u>	<u>29,731</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (2002: Nil).

## **REVIEW OF THE THIRD QUARTER**

### **Financial review**

For the nine months ended 30 September 2003, the Group recorded an unaudited turnover of approximately RMB96,313,000, representing a growth of approximately RMB38,439,000, or approximately 66.4%, as compared with the turnover of the same period in 2002. For the three months ended 30 September 2003, the Group recorded an unaudited turnover of approximately RMB49,488,000, representing a growth of approximately RMB32,104,000 or 184.7%, as compared with the turnover of the same period in 2002.

For the nine months and three months ended 30 September 2003, the Group recorded an unaudited net profit of approximately RMB9,956,000 and RMB3,744,000 respectively, compared to approximately RMB10,391,000 and approximately RMB5,321,000 respectively for the nine months and three months ended 30 September 2002.

## **BUSINESS REVIEW**

### **Product development**

During the period under review, the Group continued to intensify the research and development of products. In the area of telecom operation core support application system, the Group has developed and accomplished a series of systems such as the operation analysis system and has commercialised such systems into the Telescope® product series. In the area of telecom value added service such as operation of short messages and games which are based on short messages, the Group has increased its resources deployment and continued to launch products which has gained decent market results. The Group also developed certain information products such as enterprise gateway and flow consolidation. The Group has further consolidated the resources in human, capital and technology during the review period and has advanced its ability to provide total solution and engineering services according to customers' needs.

### **Marketing and business development**

During the period under review, the Group has solidified the market share of its products and strengthened the co-operation with various telecom operators (such as China Telecom, China Mobile, China Netcom and China Unicom). The Company has in turn tendered for projects including the first phase construction of the enterprise information management system of Nei Manga Mobile Communication Company, the unified information platform of Jiangxi Mobile and the PORTAL for Gansu Mobile. Amongst these projects, the Company has confirmed the project co-operation intention in respect of the first phase construction of the enterprise information management system of Nei Manga Mobile Communication Company and the unified information platform of Jiangxi Mobile. During the review period, the Group has signed purchase contracts with China Telecom in nine northern provinces (regions or cities) in respect of office automation system and equipment. This is the first entry of the "Lande" enterprise information system into

the market of China Telecom and is of significant strategic meaning to the Group. Other contracts gained included the memorandum of co-operation entered into with China Unicom Anhui Branch office in respect of enterprise management and information system, etc.

During the review period, the Group focused its principal operation in the line of telecom operation support system, enterprise information system and value added business and, thereby, effectively consolidated the resources of the Group.

#### **Future prospects**

During the period under review, the Group persistently maintained its leading position within the telecom operation support industry. The Group is also the number one system supplier, with large advantage, within the telecom industry. In light of the ever-increasing competition among the telecom operators, the Group will mingle the development of market and the needs of the customers to further enhance the fittingness of its products. The Group will keep on launching core business operation systems and information systems for telecom operators which will suit the market conditions and will continue to help telecom operators to effect the transition from product-driven to customer-driven. Through the provision of far-reaching service to telecom operators, the Group will further harden its market position and strengthen the competitiveness of the Group's products within the market. The Group will also co-operate further with renowned local and overseas IT companies (such as IBM, Hua Wei, Microsoft and IS, etc) both in business and technology.

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

Save as disclosed below, as at 30 September 2003, 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**

<b>Name</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Percentage of beneficial interests in the Company's share capital</b>
<i>Directors</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%
Bao Shu Xin	Personal	Beneficial owner	8,643,170	2.55%
Chen Chun	Personal	Beneficial owner	4,094,130	1.21%

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, during the nine months ended 30 September 2003, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 September 2003, none of the Directors, Supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

## 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 2003, 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 2003, 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 shareholders as recorded in the register maintained under section 336 of the SFO:

### Long position in shares

Shareholder	Number of domestic shares held	Percentage of beneficial interests in the Company's share capital
Zhejiang Qware Information Technology Investment & Consulting Company Limited	34,117,800	10.05%
Beijing Guoheng High Technology Holding Co., Ltd.	34,117,800	10.05%
Zhejiang University Innovation Information Holdings Company Limited	34,117,800	10.05%
Shi Chu Hua	16,490,280	4.86%
Wu Zhong Hao	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 (as defined under Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 30 September 2003.

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 fees 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 Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee comprises the two independent non-executive directors, Mr. Zhang De Xin and Mr. Cai Xiao Fu with Mr. Cai Xiao Fu as the chairman. The third quarterly report of the Group for the nine months ended 30 September 2003 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 2003 to 30 September 2003.

On behalf of the Board

**Chen Ping**  
*Chairman*

11 November 2003, Hangzhou, the PRC