



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)

**FINAL RESULT ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

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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 RMB164,551,000 for the year ended 31 December 2003, representing an approximately 72.38% increase as compared with the turnover for the year 2002
- Accomplished a net profit of approximately RMB12,240,000 representing an approximately 6.25% increase as compared with the net profit for the year 2002
- The Directors recommend the payment of a final dividend of RMB0.01 per share for the year ended 31 December 2003

2003 ANNUAL RESULTS

The board of directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 as follows:

	<i>Notes</i>	2003 RMB'000	2002 RMB'000
Turnover	2	164,551	95,458
Cost of sales		(117,464)	(61,540)
Gross profit		47,087	33,918
Other operating income	3	4,427	2,673
Distribution costs		(12,290)	(5,858)
Administrative expenses		(18,095)	(13,462)
Other operating expenses		(1,077)	(96)
Profit from operations	4	20,052	17,175
Finance costs, net		(2,323)	(1,104)
Share of losses of associates		(542)	–
Profit before taxation		17,187	16,071
Taxation	5	(785)	(2,847)
Profit before minority interests		16,402	13,224
Minority interests		(4,162)	(1,704)
Net profit attributable to shareholders		12,240	11,520
Earnings per share			
– Basic	6	RMB0.036	RMB0.038
Dividends	7	3,396	–

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 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

	2003 RMB'000	2002 RMB'000
Subsidy income		
– Net VAT refund (<i>note a</i>)	4,123	1,606
– Government grants (<i>note b</i>)	–	449
Other income	304	618
	<u>4,427</u>	<u>2,673</u>

Notes:

- (a) 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%. VAT refund is recorded upon receipt.
- (b) This balance represents the subsidy granted by Hangzhou local government to encourage the Company's technical innovation and improvements.

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2003 RMB'000	2002 RMB'000
Depreciation of fixed assets	2,462	1,382
Amortisation of intangible assets	2,324	2,080
Interest on borrowings	3,100	1,311

5. TAXATION

Taxation in the consolidated income statement comprises:

	2003 RMB'000	2002 RMB'000
Current taxation – enterprise income taxes (“EIT”)	785	2,879
Deferred taxation	<u>–</u>	<u>(32)</u>
	<u>785</u>	<u>2,847</u>

The Company has been approved and classified as a State Key Software Enterprises by the State Tax Bureau on 6 February 2004 and is subject to EIT at a rate of 10% for the year ended 31 December 2003. In previous years, the Company was subject to EIT at a rate of 15%.

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 2003.

As of 31 December 2003, there was no material deferred taxation for the Group.

6. EARNINGS PER SHARE

Earnings per share have been computed by dividing net profit for the year ended 31 December 2003 of approximately RMB12,240,000 (2002: approximately RMB11,520,000) by the weighted average number of shares of 339,577,000 shares (2002: 304,864,000 shares).

Pursuant to an extraordinary general meeting held on 15 April 2002, the Company splitted its ordinary shares at par value of RMB1 each into ordinary shares at par value of RMB0.10 each. The basis earning per share for year ended 31 December 2002 is computed based on 227,452,000 shares as if the split of shares had taken place and as if those shares had been issued and outstanding throughout that year.

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

7. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Proposed final dividend of RMB0.01 (2002: nil) per share	<u>3,396</u>	<u>–</u>

8. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for each of the two years ended 31 December 2003:

	Reserves					
	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Retained earnings	Proposed final dividend	Total
Balance at 1 January 2002	–	1,306	1,306	10,311	–	12,923
Issuance of H shares	87,490	–	–	–	–	87,490
Listing expenses	(15,502)	–	–	–	–	(15,502)
Net profit for the year	–	–	–	11,520	–	11,520
Profit appropriations	–	1,371	685	(2,056)	–	–
Balance at 1 January 2003	71,988	2,677	1,991	19,775	–	96,431
Net profit for the year	–	–	–	12,240	–	12,240
Profit appropriations	–	2,042	1,021	(3,063)	–	–
Dividend – proposed	–	–	–	(3,396)	3,396	–
Balance at 31 December 2003	<u>71,988</u>	<u>4,719</u>	<u>3,012</u>	<u>25,556</u>	<u>3,396</u>	<u>108,671</u>

9. SEGMENT INFORMATION

Segment information is presented by way of two segment formats (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Primary reporting segment – business segments

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, mainly short messaging service, under terms of reference agreed with the telecommunications service providers on contractual basis.

	Provision of telecommunication solutions		Trading of hardware and computer software		Other related service		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	<u>71,394</u>	<u>70,187</u>	<u>84,148</u>	<u>25,271</u>	<u>9,009</u>	<u>–</u>	<u>164,551</u>	<u>95,458</u>
Segment results	<u>18,065</u>	<u>29,779</u>	<u>11,373</u>	<u>(1,719)</u>	<u>5,358</u>	<u>–</u>	<u>34,796</u>	<u>28,060</u>
Unallocated revenue							4,427	2,673
Unallocated expenses							(19,171)	(13,558)
Profit from operations							20,052	17,175
Finance costs, net							(2,323)	(1,104)
Share of losses of associates							(542)	–
Profit before taxation and minority interests							17,187	16,071
Taxation							(785)	(2,847)
Minority interests							(4,162)	(1,704)
Net profit attributable to shareholders							<u>12,240</u>	<u>11,520</u>
Segment assets	<u>102,984</u>	<u>107,047</u>	<u>146,607</u>	<u>71,311</u>	<u>5,930</u>	<u>–</u>	<u>255,521</u>	<u>178,358</u>
Investment in associates							4,949	–
Unallocated assets							1,220	15,481
Total assets							<u>261,690</u>	<u>193,839</u>
Segment liabilities	<u>6,204</u>	<u>18,708</u>	<u>8,801</u>	<u>8,487</u>	<u>894</u>	<u>–</u>	<u>15,899</u>	<u>27,195</u>
Unallocated liabilities							96,439	32,097
Total liabilities							<u>112,338</u>	<u>59,292</u>
Other segment information:								
Capital expenditure	2,494	8,709	2,933	2,291	599	–	6,026	11,000
Provision for bad and doubtful debts	1,259	1,811	1,330	568	–	–	2,589	2,379
Depreciation	73	63	241	25	27	–	341	88
Amortisation	<u>2,299</u>	<u>2,053</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,299</u>	<u>2,053</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 recommends the payment of a final dividend of RMB0.01 per share, totalling approximately RMB3,396,000, for the year ended 31 December 2003. The proposed dividend is subject to approval by the Company's shareholders in the forthcoming annual general meeting. It is intended that the dividend will be payable on or before 31 August 2004 to the holders of Domestic Shares and H shares whose names appear on the register of member of the Company on 11 June 2004.

CLOSURE OF H SHARE REGISTER

The H share register of shareholders of the Company will be closed from 13 May 2004 to 11 June 2004 (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 2003, the audited consolidated turnover of the Group was approximately RMB164,551,000, representing a growth of approximately RMB69,093,000, or approximately 72.38% as compared with that of 2002.

The audited profit attributable to shareholders of the Group for the year ended 31 December 2003 was approximately RMB12,240,000, representing a growth of approximately RMB720,000, or approximately 6.25% as compared with that of 2002.

The operating results of the Group during the report period were mainly affected by three factors: (1) the influence of SARS in the first half of the year; (2) prudent business strategy and (3) increase in new business lines. Due to the influence of SARS, the Group's technical staffs could not visit customers' sites which increased the operating costs significantly. The Group had adopted a prudent attitude in choosing quality clients to achieve higher quality assurance. In the area of new business development, the Group had made great effort to explore the market of mobile fixed phone and value-added business. As a result, despite the decrease in gross margin, the Group had improvement in net profit when compared with the year 2002.

2. Product development

During the report period, the Group reinforced the research and development effort on the telecom operation support system products by pinpointing at the respective research and development system. The Group had completed the research and development work of the new version and advanced and accomplished the structural framework of the products. At present, the Group is able to provide a complete solution for the telecom customers.

During the report period, the Group put forward a totally new concept for the management support system, replacing the previous enterprise information system. The respective product line was further advanced and applied. The Group had successfully developed tailor made software versions for different customers such as China Unicom, China Mobile and China Telecom, which had all gained practical application. At the same time, the Group had deployed more resources into the research and development of management support system and BPM products and achieved satisfactory results.

During the report period, the Group had consolidated the existing office automation system and enterprise management system. Standing on this base, the Group had developed the unified information platform R0 version, which had been used in Jiangxi Mobile, Zhejiang Mobile, Guizhou Mobile, Yunnan Mobile and Nei Mongol Mobile. The Group also developed the MSS (management support system) system for China Unicom, which had passed the trial run at Zhejinag Unicom. The Group had newly launched the business progress management system and made it the vital platform and management technique for the provision of scientific and quantitative management and assessment to telecom operators. This had laid down the foundation for the future development and promotion of business logistic management system by the Group.

During the report period, the Group continued its close co-operation with Zhejinag University and had strengthened its alliance with IBM.

3. *Marketing and business development*

During the report period, the Group had pleasing performance in the telecom market and further gained orders from a number of provincial telecom operators such as Gansu Telecom and the nine provinces of North China Division of China Telecom. The Group's major product lines had all successfully explored new market niches, which included the penetration of unified information platform system (management support system) into the nine provinces of North China Division of China Telecom and the four provinces of China Unicom as well as the entry of telecom support system into the nine provinces of North China Division of China Telecom. During the report period, the Group had further solidified the co-operation with renowned vendors and had successfully consolidated and advanced market distribution network and channels.

During the report period, the Group endeavored to promote the unified information platform system and achieved rewarding results. Besides gaining contracts from China Mobile in a number of provinces, the Group had obtained its first time entry into the China Unicom and China Telecom markets. This awarded to the Group conspicuous leading advantages within the country and had made the opportunity to further explore the China Telecom market wide open.

During the report period, the Group had intensified the effort in the research and development and application of telecom support system and had a significant break through. At present, this product series had successfully entered into the China Telecom territory and had model construction works in China Telecom of more than ten provinces (area, cities). This had set up solid foundation for the forthcoming national wise promotion of the product series.

During the report period, the Group had opened up market resources, such as education business in Zhejiang Province and key telecom construction works, for its system integration business. At the same time, the Group also achieved effective results in the exploration of mobile fixed line phone market, which had created favourable conditions for the further expansion of its market share.

The Group had further explored its existing distribution channels and promoted communication products according to market needs. Meanwhile, the Group is the second place value-added service distributor of China Hua Wei Company national wise and had on hand a relatively stable clientele. The contribution of this business line to the Group will keep on growing.

4. *Material investments and co-operation*

During the report period, the Group underwent a series of strategic investments and co-operation, which enabled the Group to have a harmonic development in the product research and development, business exploration and market operation.

The Group entered into an agreement with Shanghai Haigang Communication Technology Company Limited (“Shanghai Haigang”) and its shareholders in August 2004 pursuant to which the Group disposed of its 51% interest in Shanghai Langang Communication Technology Company Limited (“Shanghai Langang”) at a consideration of RMB2,400,000, while the shareholders of Shanghai Haigang disposed of their 30% interest in Shanghai Haigang to the Group at a consideration of RMB2,400,000. Thereafter the Group owns 30% interest in Shanghai Haigang and does not own any stake in Shanghai Langang. Shanghai Langang was established in December 2001 with a registered capital of RMB1,000,000. Prior to the abovementioned transaction, Shanghai Langang was owned as to 51% by the Group and 49% by Shanghai Haigang. The share swap marked the termination of direct management of the wireless paging business by the Group. Shanghai Haigang will become the biggest supplier of wireless paging system and related value-added service.

The Group will continue to work closely with Zhejinag University and invest in the research and development of products which are of promotional value to the Group.

5. *Employees information*

- As at 31 December 2003, the Group had 354 (2002: 320) employees in total and the total staff costs incurred by the Group for the year amounted to approximately RMB12,828,000 (2002: RMB9,431,000).
- The Group employs the target annual compensation system, which is an integrated system linking the performance of the respective department and an individual staff and the remuneration of the individual staff. According to the Group’s compensation system, salary grading of individual staff will firstly be made based on the position, grading and ability of the staff. On this base and taking into account the performance target of the respective department, the performance target and hence the target annual salary of the individual staff will be determined. The release of target annual salary will base on performance appraisal. If the performance of the respective department achieves target, the individual staff will be awarded the whole target annual salary. In case of under-achievement of target, deduction from the target annual salary will be made. In case of over-achievement of target, surplus over target annual salary will be paid. If surplus payments have been made many times, then the target annual salary will be adjusted. Through the combination of performance appraisal and target annual salary, the Group has effective management over performance and results. At the same time, the Group can put forward effect incentive schemes for the staff. The direct linkage between staff income, individual performance target and performance target of the respective department will assure the accomplishment of target of the Group. The Group believes that the said target annual compensation system fully reflects the technology spirit that people are the heart of high-tech companies, and is able to ensure the increase of the Group’s results. The Group has not issued any share options nor has any bonus plan.

- The Group stresses on the training of quality and technique of its staff. The Group has conducted regular assessments of staff abilities and internal training requirements. The Group has employed professional consultancy companies to design training system and training courses. The Group has arranged staff to join various training programs in accordance with the number of staff requiring the training and the direction of training needed. The Group helps its staffs to grow in the area of management ability, business skill and creation of personality, which will enhance the development of the Group. Through the training process, the Group is able to adjust the knowledge and technique component of the staff, enabling the Group to secure a continuous supply of talents. The Group believes that good quality training system help to retain high calibrate staff and increase the competing edge of the Group.

Financial Review

- The Group has maintained sound financial conditions. For the year ended 31 December 2003, the Group was mainly financed by funds generated from daily operations, bank borrowings and the listing proceeds.
- As at 31 December 2003, the Group's cash and bank balances amounted to approximately RMB94,531,000 (2002: RMB62,497,000).
- As at 31 December 2003, the Group had outstanding unsecured short term borrowings amounted to RMB65,000,000 (2002: RMB10,000,000).
- As at 31 December 2003, the Group had a total asset value of approximately RMB261,690,000 (2002: RMB193,839,000).
- As at 31 December 2003, the Group had current liabilities of approximately RMB112,338,000 (2002: RMB59,292,000).
- As at 31 December 2003, the Group had shareholders' equity of approximately RMB142,629,000 (2002: RMB130,389,000).
- As at 31 December 2003, the Group had minority interests of approximately RMB6,723,000 (2002: RMB4,158,000).
- As at 31 December 2003, the Group had a gearing ratio (the ratio of liabilities to total assets) of approximately 42.93% (2002: 30.59%).
- As at 31 December 2003, the Group had a net current ratio (the ratio of current liabilities to current assets) of approximately 46.15% (2002: 32.85%).
- Since substantially all of the Group's revenue is in Reminbi and its expenses are paid in Reminbi, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.
- As at 31 December 2003, the Group had no contingent liabilities (2002: nil).
- As at 31 December 2003, bank deposits amounting to approximately RMB11,619,000 (2002: RMB5,527,000) 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 RMB45,000,000. Orders obtained in the area of telecom support include the third phase project of the integrated customer service system for the North Division of the China Telecom, the “97” reform project for the South Division of China Telecom and the operation analysis system project for the South Division of China Telecom. Orders obtained in the area of enterprise management support system include the second phase project of office automation system for the nine provinces of the North Division of the China Telecom, EAI platform project for Shanghai Guangdong and business process management system (BPM) for Tianjin Unicom.

2. Prospects of new business and new products

The Group will persist making effort on the marketing and promotion of telecom support system. In the area of operation support system, the Group will focus on the reformation projects in various provinces of the South Division of the China Telecom such as Jiangxi, Guangdong, Zhejiang and Hubei and also in Xinjiang and Qinghai. In the area of telecom operation analysis system, the Group will concentrate in Hubei and Yunnan China Telecom and the system construction work of the China Netcom headquarters.

The Group will rationalize and properly manage the support system products, consolidate its existing applications in the market of China Mobile, China Netcom and China Telecom. The Group will gradually turn the systems into products and establish the one stop system within the industry. In the year 2004, the Group will chiefly explore the telecom industry. The first phase construction of the office system of the nine provinces in the North Division of China Telecom, which was supplied by the Group, had been put on-line in October 2003. The second phase construction will be carried out by the North Division of China Telecom in the year 2004. On the other hand, each of the branch companies in the nine provinces will have its own requirements and this give rise to the huge market in the North Division of China Telecom. Meanwhile, the China Telecom market in Zhejiang and other provinces will also be the main target of the Group in the year 2004. In addition, the Group intends to consolidate other IBM software such as Sametime, WebSphere MQ etc. within the management support system so as to reinforce the function of the intelligent office system and enhance product competitiveness.

In the area of the communication products, the Group has maintained good and long term co-operation relationship with certain operators in Hebei, Shanxi, Nei Mongol and Heilongjiang and also the local sales offices of Hua Wei Company. As authorized distributor of Hua Wei Company, the Group will make use of the local sales network of Hua Wei Company to further promote Hua Wei Company's products and the Group's self developed software products.

Furthermore, the Group's terminal product division will make an effort in the exploration of new market. While solidifying the existing client base, the Group will continues to increase sales value. The Group will mainly explore new markets in Liaonang and Guizhou and expects that satisfactory income will be generated there from. The Group will extend the good track record in the sales of public phones in 2003 to the present year and will increase the sales volume of public phones.

3. *New investment projects and source of funding*

The Group plans to increase the investment in value-added service business in the year 2004. By way of increasing the capital base of subsidiaries and acquiring outside companies, the Group will consolidate its value-added service business and increase its market share in the value-added service market. The principal sources of financing will be internal savings and bank borrowings.

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 2003.

BOARD PRACTICES AND PROCEDURES

Since its listing on GEM on 3 May 2002, the Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

On behalf of the Board
Chen Ping
Chairman

29 March 2004, Hangzhou, the PRC

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*