



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 31ST DECEMBER, 2002**

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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 RMB95,458,000 for the year ended 31st December, 2002, representing an approximately 49% increase as compared with the turnover for the year 2001
- Accomplished a net profit of approximately RMB11,520,000, representing an approximately 22% decrease as compared with the net profit for the year 2001
- The Board does not recommend the payment of a final dividend for the year ended 31st December, 2002

2002 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 31st December, 2002 as follows:

	<i>Notes</i>	2002 RMB’000	2001 RMB’000
Sales, net	2	95,458	63,890
Cost of sales		(59,487)	(36,274)
Gross profit		35,971	27,616
Distribution costs		(5,858)	(2,842)
Administrative expenses		(15,515)	(6,766)
Other operating expenses, net		(96)	(15)
Profit from operations	3	14,502	17,993
Finance costs, net		(1,104)	(198)
Share of results of associates before tax		–	(307)
Subsidy income	4	2,055	–
Other income		618	–
Profit before tax and minority interests		16,071	17,488
Income tax expense	5	(2,847)	(2,987)
Profit before minority interests		13,224	14,501
Minority interests		(1,704)	338
Net profit		11,520	14,839
Earnings per share	6		
– Basic		RMB0.038	RMB0.065

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 20th September, 2001 and its overseas public shares ("H Shares") were listed on GEM on 3rd May, 2002, details of which are set out in the prospectus of the Company dated 24th April, 2002.

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. SALES, NET

Sales, which is stated net of valued added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of system integration where turnover represents the value of work done during the year, including amounts not yet invoiced.

	2002 RMB'000	2001 RMB'000
Provision of telecommunication solutions		
– System integration	46,284	55,018
– Sales of self-developed software	25,258	–
	<u>71,542</u>	<u>55,018</u>
Trading of hardware and software	25,271	9,181
Less: surtaxes	(1,355)	(309)
	<u><u>95,458</u></u>	<u><u>63,890</u></u>

3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2002 RMB'000	2001 RMB'000
Depreciation of property, plant and equipment	1,382	640
Interest on borrowings	<u>1,311</u>	<u>268</u>

4. SUBSIDY INCOME

	2002 RMB'000	2001 RMB'000
VAT refund (a)	1,606	–
Local government grants (b)	449	–
	<u><u>2,055</u></u>	<u><u>–</u></u>

(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 refunds of the amount of actual tax burden exceeding beyond 3% on sales of self-developed software. VAT refund is recorded upon receipt.

(b) This amount represents the subsidy granted by local government to encourage the Company's technical innovation and improvements.

5. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement comprised:

	2002 RMB'000	2001 RMB'000
Income tax expense		
– Current	2,879	2,792
– Deferred tax	(32)	195
	<u>2,847</u>	<u>2,987</u>

The Company has been classified as an Advanced Technology Enterprise by the Scientific Technology Committee of Zhejiang Province. As an 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% in 2002 and 2001.

The EIT rates of subsidiaries of the Company are as follows:

Chengdu Lande E&I Technology Co Ltd. (“Chengdu Lande”), which is registered in the National Advanced Technology Industry Development Area in Chengdu, has been classified as an Advanced Technology Enterprise. According to Caishuizi [1994] No.001 and as approved by the local tax bureau according to Chen Gao Local [2001] No. 135, Chengdu Lande is exempt from EIT for the period from June 2001 to May 2003. Thus, the effective rate for the year of 2002 is zero.

In 2002, Shanghai Langang Communication Technology Company Limited is subject to 4% EIT over service provision income and 0.5% EIT over hardware sales income.

As approved by the local tax bureau, Guangzhou Landi Electronics Information Technology Company Ltd. (“Guangzhou Landi”) is subject to EIT at deemed profit rate (i.e. the taxable income is calculated at 5% of revenue in 2002). In addition, according to Caishuizi [1994] No. 9, the applicable EIT rate is 27% in 2002 as the annual taxable profit of Guangzhou Landi is below RMB100,000.

Zhejiang Lande Sichuang Information Technology Company Ltd. was classified as an Advanced Technology Enterprise in the year of 2002. According to Guoshuifa [1996] No. 23 and Caishuizi [1994] No. 9 as well as approved by the local tax bureau, the applicable tax rate is 18% as its taxable profit in 2002 is below RMB30,000.

Hangzhou Trust Communication Service Co., Ltd. and Hangzhou Lande Xinyi Information Technology Company Ltd. are subject to EIT at rate of 33%.

As of 31st December, 2002, there was no material unprovided deferred tax.

6. EARNING PER SHARES

Basic earnings per share have been computed by dividing net profit for the year ended 31st December, 2002 of approximately RMB11,520,000 (2001: approximately RMB14,839,000) by the weighted average number of shares of approximately 304,864,000 shares (2001: 227,452,000 shares).

Pursuant to a extraordinary general meeting held on 15th April 2002, the Company split ordinary shares at par value of RMB1 each into ordinary shares at par value of RMB0.10 each. The basic earning per share for year 2001 is computed based on 227,452,000 shares as if the split of shares had taken place at the beginning of year 2001 and as if those shares had been issued and outstanding throughout the year 2001 and 2002.

Diluted earnings per share are not presented, because no potential dilutive shares existed during the current or prior year.

7. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for each of the two years ended 31st December, 2002:

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare reserve <i>RMB'000</i>	Tax refund reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as of 1st January, 2001	–	346	227	1,434	–	1,120	3,127
Net profit	–	–	–	–	–	14,839	14,839
Increase of share capital during the year	15,455	–	–	–	–	–	15,455
Profit appropriations	–	1,306	1,306	295	–	(2,907)	–
Dividends	–	–	–	–	–	(459)	(459)
Capitalisation	(15,455)	(346)	(227)	(1,729)	–	(2,282)	(20,039)
Balance as of 1st January, 2002	–	1,306	1,306	–	–	10,311	12,923
Donations received	–	–	–	–	16	–	16
Issuance of shares	71,972	–	–	–	–	–	71,972
Net profit	–	–	–	–	–	11,520	11,520
Profit appropriations	–	1,371	685	–	–	(2,056)	–
Balance as of 31st December, 2002	<u>71,972</u>	<u>2,677</u>	<u>1,991</u>	<u>–</u>	<u>16</u>	<u>19,775</u>	<u>96,431</u>

8. SEGMENT INFORMATION

The Group is one business segment and one geographical location. Thus, no segment information is prepared.

DIVIDENDS

No interim dividend was declared or paid by the Company. The Board does not recommend the payment of a final dividend for the year ended 31st December, 2002 (2001: an interim dividend of RMB459,000 declared).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

1. Review of operating results for the year

For the year ended 31st December, 2002, the audited turnover of the Group was approximately RMB95,458,000, representing a growth of approximately RMB31,568,000, or approximately 49% as compared with that of 2001.

The audited net profit of the Group for the year ended 31st December, 2002 was approximately RMB11,520,000, representing a decline of approximately RMB3,319,000, or approximately 22% as compared with that of 2001.

The adjustment in net profit performance was attributable to (1) fierce market competition; (2) prudent business strategy and (3) increase in operation expenses. Regarding the fierce market competition, the Group had slightly adjusted its market price to a more competitive level so as to maintain its competitiveness. Besides, the Group had also adopted a prudent attitude in choosing quality clients to achieve higher quality assurance. As the Group had been putting substantial financial resources in setting up new distribution network in the PRC to increase market share, an alteration in net profit of the Group was reasonable.

2. Product development

During the report period, there was substantial progress in the Group's telecom OA system. Further standardisation was achieved. Besides, specific software were developed and launched for the Unicom and China Mobile networks. Such products are being adopted by users. As for the software for the China Telecom network, their launch has been delayed due to market conditions.

During the report period, the Group had increased R&D resources to the realm of telecom CRM products. Test run was conducted in Shenzhen Unicom. Meanwhile, progress was also achieved in the development of telecom operation analysis systems. Besides, the Company worked with other enterprises in developing the telecom integrated billing system by incorporating the technology of e-commerce systems. Orders were secured from China Telecom and are being executed.

In the same period, in line with its R&D needs, development capability for the broadband operation support system was consolidated and strengthened. The new version (OSSv2) was developed.

The Group also made huge investment of financial and human resources in e-government services during the report period. Initial success was achieved, and a solid foundation was established for the Group's foray into the e-government services market in the future.

In addition, during the report period, the Group increased its investment in wireless value-added services and wireless valued-added operation in accordance with market demand. Improvement was gained in this area. In the coming year, the Group will continue to step up its investment in wireless value-added operation.

3. Marketing and business development

The Group has been dedicated to the provision of quality products and value-added services to domestic telecom operators. During the report period, the Group secured additional contracts from various provincial telecom operators including Shanghai Unicom, Jiangxi Mobile, Guizhou Mobile, Yunnan Mobile, Guangxi Unicom, Hubei Unicom, Ningbo Netcom, Dalian Netcom, Qinghai Telecom and the Northern China Division of China Telecom. Distribution networks were also established in various cities and provinces.

During the report period, the Group had also set foot in the market of e-government services, making itself the pioneer in supplying e-government services systems for the health and family planning administration sectors. At the same time, the Group had also started its operations of public wireless communications and wireless terminals, and set a new direction for its future business development.

4. Material investments

The Group undertook a series of strategic investments in the year, which enabled the continued development of the Group in terms of product development, business expansion and market operation:

Ningbo Songyan (寧波松岩)

The Group took over all the assets and businesses of Ningbo Songyan (寧波松岩), which has brought to the Group a pool of quality technical personnel and facilitate its development of software products for telecom operation support solutions.

Hangzhou Lande Xinyi Information Technology Company Ltd. (杭州蘭德新易信息技術有限公司, “Lande Xinyi”)

During the year, the Group acquired 85% shareholdings in Hangzhou Xinyi (杭州新易) at a consideration of RMB2,000,000. Hangzhou Xinyi was subsequently renamed to Lande Xinyi. It is principally engaged in the development of e-government services.

Guangzhou Landi Electronics Information Technology Company Ltd. (廣州蘭笛電子信息技術有限公司, “Guangzhou Landi”)

Guangzhou Landi was formed by the Group jointly with Naning Feishitong Broadband Network Technology Services Limited (南寧飛時通寬帶網絡技術有限公司) with capital contribution of RMB1,005,000 from the Group for 67% shareholdings. Guangzhou Landi is mainly engaged in the development of the southern China market.

Zhejiang Lande Sichuang Information Technology Company Ltd. (浙江蘭德思創信息技術有限公司, “Lande Sichuang”)

The Group formed Lande Sichuang jointly with Lande Xinyi during the year. Capital contribution in Lande Sichuang directly and indirectly made by the Group totalled RMB9,925,000 with a shareholding of 99.25%. Lande Sichuang will specialize in the sale of IBM software and the provision of technical support and training services.

Hefei Lande Tongling Technology Company Ltd. (合肥蘭德通靈科技有限公司, “Lande Tongling”)

The Group established Lande Tongling jointly with Hefei Zhengxun Wireless Communication Services Centre (合肥政訊無線電通信服務中心) in the year with a capital contribution of RMB1,500,000 for 75% shareholding. Lande Tongling is principally engaged in public wireless communication business and wireless terminals business and is exploring the business of e-government services.

All the above subsidiary companies, except Guangzhou Landi which incurred a small loss for the year ended 31st December, 2002, had started to contribute profits to the Group.

5. Employee information

- As at 31st December, 2002, the Group has approximately 320 (2001: 150) employees in total and the total staff costs incurred by the Group for the year amounted to approximately RMB9,400,000 (2001: RMB2,300,000).
- The Group employs the target remuneration system. Each employee will be assigned an achievement target in accordance with their respective abilities, which will in turn form the basis to determine his/her annual target remuneration. Staff appraisal will be carried out quarterly. If the employee fails to meet the target, his/her remuneration will be cut accordingly. If the employee's performance is above the target, his/her salary will be increased accordingly. If the employee's performance is always above the target, his/her annual target remuneration will be revised upward accordingly. Through the quarterly staff appraisals and corresponding salary adjustments, employees' income is directly linked to their work performance. The employees will have the motivation to improve their performance and the Group can secure its achievement target. The Group believes that the target remuneration system fully embodies the people-oriented spirit of high technology enterprises and places the Group in a leading position in the industry.
- The Group has not issued any share option nor any bonus plan.
- In order to improve the technical and managerial knowledge of the staff, so as to extend their development potential and to strengthen their sense of belonging, the Group strives to provide training opportunities to its staff. During the year, the Group organized a comprehensive "New Staff Training Course" for new staff. The Group also provided a series of outsourced training programs for its technical staff, covering "WEBLOGIC", "Internet Security and Protection Technology", "Documents Labeling Reform and e-Document Management", "ISO9001-2000 Quality Management System", "NOPOWER Technology", "Software Development Management and Outsourcing", "EMC Products", "SOLARIS System Management", "LDAP" and the related software development technologies. The Group also organized the "LOTUS Application Training" for its technical staff. Training courses on "Practical Contract Laws" and "Target Management and Team Spirit" were also provided to its marketing staff and management team respectively.

Financial review

- The Group has maintained sound financial conditions. For the year ended 31st December, 2002, the Group was mainly financed by funds generated from operations and the proceeds from the issue and listing of new shares on GEM.
- As at 31st December, 2002, the Group's cash and bank balances amounted to approximately RMB62,497,000 (2001: RMB17,997,000).
- As at 31st December, 2002, the Group had outstanding unsecured short term borrowings amounted to RMB10,000,000 (2001: RMB20,000,000), bearing interest at an annual rate of 4.779% (2001: 6.435%) and no non-current borrowings (2001: Nil).
- As at 31st December, 2002, the Group had a total asset value of approximately RMB193,839,000 (2001: RMB69,311,000).
- As at 31st December, 2002, the Group had current liabilities of approximately RMB59,292,000 (2001: RMB33,061,000).

- As at 31st December, 2002, the Group had shareholders' equity of approximately RMB130,389,000 (2001: RMB35,668,000).
- As at 31st December, 2002, the Group had minority interests of approximately RMB4,158,000 (2001: RMB550,000).
- As at 31st December, 2002, the Group had a gearing ratio (the ratio of liabilities to total assets) of approximately 31% (2001: 48%).
- As at 31st December, 2002, the Group had a current ratio (the ratio of current liabilities to current assets) of approximately 33% (2001: 51%).
- Since all of the Group's revenue is received in Renminbi and its expenses are paid in Renminbi, the Directors do not consider that the Group is exposed to any material foreign exchange risk.
- As at 31st December, 2002, the Group had discounted notes of RMB25 million. Save as this, the Group had no contingent liabilities (2001: Nil).
- As at 31st December, 2002, there were no charges on the assets of the Group (2001: Nil).

Further prospects

1. Orders in hand

The Group has orders in hand totaling not less than RMB36,800,000. Major orders include the provision of enterprise information systems for Zhejiang Unicom and Zhejiang Mobile, the e-commerce system for the Northern China Division of China Telecom, and the operation analysis system for Qinghai Telecom.

2. Prospects of new businesses and new products

The Group's telecom support systems are divided into two major product lines, new generation integrated sales systems (BSS) and telecom corporate analysis systems.

Following the split of China Telecom Group, competition between telecom operators is getting more and more fierce. The traditional business-oriented operation mode can no longer cope with market demand. There is strong pressure on telecom operators to adopt a customer-oriented operation mode. Pro-active marketing activities are much needed to vie for a bigger share of the limited customer base. The systems developed by the Group came into existence under such market environment. They are being used by the Northern China Division of China Telecom, and the response so far is very good. Up to date, orders for such systems have been mainly for two projects of the division. Meanwhile, Southern China Telecom (南方電訊) has formed a unit called BPR, to restructure its traditional operation mode. The Group is involved in the projects for Qunming Telecom, a test point of China Telecom. Currently, telecom operators are pouring their investments in reengineering and integrating their systems. Based on the existing market research and the current operation mode, the Group is staying ahead in terms of technology.

Telecom operation analysis systems provide robust data support for decision making on marketing strategies. To date, China Telecom, China Unicom and China Netcom have all set aside provisions for such investments in their budgets.

The development and improvement of information systems involve the following:

Improve and standardise enterprise information systems by combining the versions for China Mobile and for China Unicom and develop the one for China Telecom. The aim here is to realise uniformity in the industry.

Gradually extend the product range at the same time. Apart from penetrating the market for office automation systems, the Group will also systematically explore the markets for application systems for knowledge management, online education, ERP, business process management and enterprise portals.

Knowledge management and online education is made possible through information accumulation with the help of enterprise information systems. Such wealth of knowledge can then provide the basis for online learning and exchange. Information systems for ERP and business process management gather business data and perform business information processing. Enterprise portals will become part of a unified enterprise information system platform to provide a standard working environment for users.

The above systems can be integrated into all kinds of information systems employed by the telecom industry.

In 2003, the Group will strive to secure contracts for the second phase of the existing projects of China Mobile. For the projects in Zhejiang, Yunnan, Jiangxi and Guizhou, the Group has already signed contract for the phase 2 project of Zhejiang Mobile. The other three provinces also have plans for the implementation of phase 2 projects. In the case of Yunnan, the commercial negotiation for the phase 2 project of Yunnan Mobile has already completed and is pending for approval.

Meanwhile, China Mobile will expand its market reach in such provinces that are going to introduce mobile network or proceed to the second phase. Guangxi Mobile and Hainan Mobile are among the major customers. At the same time, with the PORTAL projects undertaken by China Mobile, the Group will explore the existing OA market step by step.

China Unicom

As the Group is among the first manufacturers appointed by the headquarters of China Unicom for the projects of Zhejiang Unicom. As such, the situation in this market is quite promising. In addition, trial runs have also begun in Tianjin Unicom and Guizhou Unicom. Projects for Guangxi Unicom, Jiangxi Unicom, Fujian Unicom, Henan Unicom, Gansu Unicom and Chongqing Unicom are also pending for approval from the headquarters. The Group has good chance in securing the above contracts. It also believes that it stands a good chance of winning contracts from Jilin Unicom, Shanxi Unicom, Inner Mongolia Unicom, Jiangsu Unicom, Anhui Unicom and Shanghai Unicom.

China Telecom

In 2003, the Group will focus on market penetration for the projects of China Telecom. Existing projects supplied by the Company include the Northern China Division of China Telecom, Jiangxi Telecom and Zhejiang Telecom. In particular, the Northern China Division of China Telecom presents immense market potential in its foothold covering nine provinces plus one city. Projects of Jiangxi Telecom are also what the Group will eagerly compete for in the coming year.

Others

The Group will also step up its efforts in securing the contracts from the projects of China Netcom. Projects of Zhejiang Netcom, Chongqing Netcom and the headquarters of China Netcom are under negotiation.

3. New investment projects and source of funding

The Group plans to invest RMB2 million to set up Guangdong Lande Company (廣東蘭德公司) to explore the government and telecommunications sectors in the southern China region, and to develop the markets for e-Government services and telecom operation support system, which investment will be financed by internal resources.

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 31st December, 2002.

BOARD PRACTICES AND PROCEDURES

Since its listing on GEM on 3rd 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

25th March, 2003, 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*