



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

2002

* for identification only

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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 RMB57,874,000 for the nine months ended 30th September, 2002, representing an approximately 49% increase as compared with the turnover for the corresponding period in 2001
- Accomplished a net profit of approximately RMB10,391,000, representing an approximately 31% increase as compared with the net profit for the corresponding period in 2001
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2002

2002 THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30th September, 2002.

For the nine months ended 30th September, 2002, the Group recorded an unaudited turnover of approximately RMB57,874,000, representing a growth of approximately RMB19,080,000, or approximately 49%, as compared with the turnover of the same period in 2001. For the three months ended 30th September, 2002 and 2001, the Group recorded an unaudited turnover of approximately RMB17,348,000 and RMB20,786,000 respectively.

For the nine and three months ended 30th September, 2002, the Group recorded an unaudited net profit of approximately RMB10,391,000 and RMB5,321,000 respectively.

The unaudited results of the Group for the nine and three months ended 30th September, 2002 together with the unaudited comparative figures for the corresponding periods in 2001 are as follows:

	Notes	Nine months ended 30th September,		Three months ended 30th September,	
		2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Turnover	2	57,874	38,794	17,384	20,786
Cost of sales		<u>(32,136)</u>	<u>(23,349)</u>	<u>(4,873)</u>	<u>(10,828)</u>
Gross profit		25,738	15,445	12,511	9,958
Selling expenses		(3,472)	(1,849)	(1,284)	(812)
Research and development costs		(1,600)	(900)	(450)	(450)
Administrative expenses		(6,982)	(3,210)	(3,580)	(1,634)
Other expenses		<u>(119)</u>	<u>(15)</u>	<u>(61)</u>	<u>—</u>
Profit from operations		13,565	9,471	7,136	7,062
Finance costs, net		(818)	(75)	(447)	(100)
Loss from an associate		<u>—</u>	<u>(172)</u>	<u>—</u>	<u>(110)</u>
Profit before taxation		12,747	9,224	6,689	6,852
Taxation	3	<u>(2,017)</u>	<u>(1,514)</u>	<u>(1,061)</u>	<u>(1,046)</u>
Profit before minority interests		10,730	7,710	5,628	5,806
Minority interests		<u>(339)</u>	<u>250</u>	<u>(307)</u>	<u>73</u>
Net profit for the period		<u>10,391</u>	<u>7,960</u>	<u>5,321</u>	<u>5,879</u>
Earnings per share					
- Basic	4	<u>0.036</u>	<u>0.035</u>	<u>0.016</u>	<u>0.026</u>

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 H shares were listed on the GEM on 3rd May, 2002, details of which are set out in the prospectus of the Company dated 24th 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, which is stated net of valued added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of telecommunications solutions where turnover represents the value of work done during the period, including amounts not yet invoiced.

	Nine months ended		Three months ended	
	30th September,		30th September,	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Provision of telecommunications solutions	56,550	32,366	17,384	20,786
Trading of hardware	1,324	6,428	—	—
	<u>57,874</u>	<u>38,794</u>	<u>17,384</u>	<u>20,786</u>

3. TAXATION

	Nine months ended		Three months ended	
	30th September,		30th September,	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The charges comprises:				
PRC income tax	<u>2,017</u>	<u>1,514</u>	<u>1,061</u>	<u>1,046</u>

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 a rate of 33%.

4. EARNING PER SHARES

Earnings per share have been computed by dividing net profit for the nine and three months ended 30th September, 2002 of approximately RMB10,391,000 and approximately RMB5,321,000 (2001: approximately RMB7,960,000 and approximately RMB5,879,000) by the weighted average number of shares of 290,702,000 shares (2001: 227,452,000 shares) and 339,577,000 shares (2001: 227,452,000 shares) as if the sub-division 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 and three months ended 30th September, 2002 and 2001 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 2002 and 2001:

	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Tax refund reserve RMB'000	Retained profits RMB'000
At 1st January, 2001	—	346	227	1,434	1,120
Net profit	—	—	—	—	2,081
Appropriation from retained profits	—	—	—	295	(295)
Dividends	—	—	—	—	(459)
Capitalization into paid-up capital	—	—	—	(115)	(1,724)
Increase of paid-in capital	15,455	—	—	—	—
At 30th June, 2001	15,455	346	227	1,614	723
Capitalisation into paid-in capital	(15,455)	(346)	(227)	(1,614)	(558)
Net profit	—	—	—	—	5,879
At 30th September, 2001	—	—	—	—	6,044
At 1st January, 2002	—	1,306	1,306	—	10,311
Net profit	—	—	—	—	5,070
Issue of H Shares under placement	87,491	—	—	—	—
Share issuing expenses	(15,518)	—	—	—	—
At 30th June, 2002	71,973	1,306	1,306	—	15,381
Net profit	—	—	—	—	5,321
At 30th September, 2002	71,973	1,306	1,306	—	20,702

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2002 (2001: RMB459,000).

FINANCIAL REVIEW

For the nine months ended 30th September, 2002, the unaudited turnover of the Group is approximately RMB57,874,000, representing a growth of approximately RMB19,080,000, or approximately 49% in turnover as compared with that of the same period in 2001. For the three months ended 30th September, 2002 and 2001, the unaudited turnover of the Group is approximately RMB17,384,000 and RMB20,786,000 respectively.

The unaudited net profit of the Group for the nine and three months ended 30th September, 2002 is approximately RMB10,391,000 and RMB5,321,000 respectively.

BUSINESS REVIEW

Product development

During the reporting period, the Group has further advanced the development of telecom OA system and has entered into the “Corporate Information” sector of China Mobile. In addition, the Group has researched into and developed the application of wireless value-added products such as “Genesis”, “Fortune Empire” and “Valued-added Information Business”, which are all based on short message service. The functional module of the telecom CRM products demonstration system and the demonstrating material has also been substantially completed.

On the other hand, the research and development on the telecom operation and recording consolidated system has entered into the system design and specification stage. The new version for the broadband operation support system (OSSv2) has commenced trial runs for customers.

Marketing and business development

In order to achieve better return and results, the Group will consolidate its businesses with the PRC telecom operators in three directions: - 1. Software development, technological service and system integration business - The Group has been providing software systems such as broadband operation OSS system, telecom operation analysis system, enterprise management information system and e-business to PRC telecommunications companies such as China Telecom, China Unicom, China Mobile and China Netcom. The Group is also participating in the construction of the core system (such as the sales and marketing system) of China Telecom jointly with the Northern Business Division of China Telecom. 2. The Group will make use of its sales and technology platform to develop the sales of the telecom terminal products and prepare to distribute telecom terminal products in its own brand name of "Lande" (or OEM for famous foreign manufacturers).

Future prospects

The Group has been actively co-operating with famous foreign and PRC IT manufacturers. The Group has signed a regional strategic partnership agreement with IBM and has also commenced business and technological co-operation with Microsoft and ISS. Following the listing of the PRC telecommunications companies, the competition in the industry will become even fierce. The telecommunications companies will increase their investment in the system construction and this will bring more market opportunities to the Group. At the same time, the Group will keep an eye on the IT construction of other industries with an aim to increase the contribution to the Group's results from other industries.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th September, 2002, except for those shares as set out below, none of the Directors and Supervisors of the Company or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as recorded in the register required to be kept under section 29 of the aforementioned ordinance.

The beneficial interests of the Directors and Supervisors in the share capital of the Company are as follows:

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the period from 1st January, 2002 to 30th September, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th September, 2002, none of the Directors or Supervisors had any rights to acquire H shares in 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 30th September, 2002, no option has been granted pursuant to such share option scheme.

SUSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and Supervisors and their associates, as at 30th September 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital:

Shareholder	Number of shares	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%

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th September, 2002.

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 30th September, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 24th 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 period from 3rd May, 2002 to 31st 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 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. 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.

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 1st January, 2002 to 30th September, 2002.

On behalf of the Board

Chen Ping

Chairman

8th November, 2002, Hangzhou, the PRC