

**ZHEDA LANDE SCITECH LTD:
THANK YOU, GOVERNMENT**

Zheda Lande Scitech Ltd is one of those companies, domiciled in the People's Republic of China (PRC), which relies, almost completely, on political 'muscle' to sell its goods and services – mainly to PRC, State-run entities.

According to the Placing Prospectus of this computer software-cum-computer hardware vendor, it has, principally, only 5 customers of any note, the biggest of which are the biggest, State-run mobile telephone operators in the PRC: China United Telecommunications Corporation, China Telecommunications Corporation, and China Mobile Communications Corporation.

Page 78 of the Prospectus states:

'For each of the three years ended 31st December, 2001, the five largest customers of the Group accounted for approximately 92.2%, 96.2% and 83.6% of the Group's turnover respectively. The Group's single largest customer, China Unicom (China United Telecommunications Corporation), accounted for approximately 43.8%, 75.1% and 49.7% of the Group's turnover respectively during the same financial years. None of the Directors, their associates or any shareholders of the Group, own more than 5% of the paid-in capital of the Company has any interests in any of the five largest customers of the Group for each of the three years ended 31st December, 2001.'
(Editor: This is Chinglish, mainly)

For the past 3 Financial Years, ended December 31, 2001, Zheda Lande has done remarkably well, thanks to the priming of the pump by China Unicom, as the following table, lifted from Page 142 of the Prospectus, indicates:

TABLE A

	Financial Year ended December 31		
	1999	2000	2001
	All Figures are Denominated in Renminbi '000 (except where otherwise stated)		
Turnover	4,621	23,151	64,199
Cost of Sales	(2,469)	(17,047)	(36,583)
Gross Profit	2,152	6,104	27,616
Gross Profit Margin*	46.57 percent	26.37 percent	43.07 percent
Selling Expenses	(1,207)	(1,671)	(2,842)
General and Administrative Expenses	(2,509)	(2,274)	(6,766)
Other Expenses, Net	(3)	(10)	(15)
Profit/(Loss) from Operations	(1,567)	2,149	17,993
Finance Income/(Cost), Net	7	9	(198)
Loss from an Associate	Nil	(53)	(307)
Profit/(Loss) before Taxation and Minority Interests	(1,560)	2,105	17,488
Income Tax Expenses	189	(326)	(2,987)
Profit/(Loss) after Taxation but Before Minority Interests	(1,371)	1,779	14,501
Minority Interests	Nil	24	338

Net Profit/(Loss) Attributable to Shareholders	(1,371)	1,803	14,839
Net Profit Margin*	Not Applicable	7.79 percent	23.11 percent

* TARGET's calculations

TARGET is not exactly certain what Zheda Lande should be considered, in terms of its principle activity, because, while it describes itself, at Page One of the Prospectus as being '*... a provider of telecommunications solutions in the PRC, serving telecommunications operators, ISP's (Internet Service Providers), ICP's (Internet Content Providers) in 19 provinces and 3 directly administered municipalities ... The Group's telecommunications solutions are categorized into two major business lines, namely the data communication solutions and the telecom operation solutions ...*' a breakdown of its sales appears to give a slightly different picture of the Company:

TABLE B

	Financial Year ended December 31		
	1999	2000	2001
	All Figures are Denominated in Renminbi '000		
Turnover:	4,621	23,151	64,199
Provision of Telecommunication Solutions --			
Sales of Computer Software	1,810	8,120	19,069
Sales of Computer Hardware	1,460	12,370	27,487
Provision of Technical Support Services	1,351	2,661	8,462
Trading in Computer Hardware	Nil	Nil	9,181

Looking carefully at Table B, it is clear that the big leap forward, in the 2001 Financial Year, was brought about by sales of computer hardware and trading in computer hardware, the aggregate value of which amounted to \$HK28.25 million, or 44 percent of the Turnover for that Year.

The Reasons For Going Public

Zheda Lande, now known as Stock Code Number 8106 on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, came to the speculative market of the Hongkong Special Administrative Region (HKSAR) of the PRC in order to raise money through a Placing of 97.50 million, 0.10 renminbi shares at a Premium of not more than 86 cents per share.

The \$HK80 million, raised in this exercise, is to be used for the following purposes, according to Page 101 of the Prospectus:

1. \$HK30 million to be used as product development;
2. \$HK18 million to be used as sales and marketing expenses;
3. \$HK27 million to be used for strategic investments; and,
4. \$HK5 million to be used as addition Working Capital.

This Company has been in existence since November 1996, having been ... [CLICK TO ORDER FULL ARTICLE](#)

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