

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising or in reliance upon the whole or any part of the contents of this announcement.



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)

(Stock Code: 8106)

**MAJOR AND CONNECTED TRANSACTION FOR CORPORATE
REORGANISATION INVOLVING
ZHEJIANG SICHUANG INFORMATION TECHNOLOGY CO. LTD.,
AND
DISCLOSEABLE AND CONNECTED TRANSACTION
FOR THE ACQUISITION OF
ZHEJIANG LAN CHUANG INFORMATION CO. LTD.**

The Board is pleased to announce that on 11 December 2006, the Company entered into the following two separate and independent projects:

(i) Sichuang Corporate Reorganisation

Sichuang, a 90% owned subsidiary of the Company, proposes to undergo the Sichuang Corporate Reorganisation. Pursuant to the Sichuang Corporate Reorganisation, on 11 December 2006 the Company entered into the Share Transfer Agreement with Mr. Chen for transfer of its 90% equity interest in Sichuang to Mr. Chen at the Sichuang Disposal Consideration of RMB27,000,000 (equivalent to approximately HK\$26,733,000) to be settled by issue of the Sichuang Promissory Note to the Company with the result that Mr. Chen will own a 90% equity interest in Sichuang upon the Sichuang Completion.

As part of the Sichuang Corporate Reorganisation, the Company entered into the Sichuang Exclusive Right to Purchase Contract with Mr. Chen, pursuant to which the Company will be granted with the right to purchase 90% equity interest in Sichuang from Mr. Chen (which can only be exercised by the Company as and when permitted by the relevant PRC laws, rules and regulations) at the Sichuang Acquisition Consideration of RMB27,000,000 (equivalent to approximately HK\$26,733,000) which shall be settled by setting off against the Sichuang Disposal Consideration of the same amount by way of cancellation of the Sichuang Promissory Note. Pending the exercise of such exclusive right as and when permitted by the relevant PRC laws, rules and regulations, the Company will, nevertheless, be granted with powers of attorney under the Sichuang Powers of Attorney so as to enable the Company to exercise the voting rights attaching to the 90% interests in Sichuang during the period when the 90% interests in Sichuang remain vested in Mr. Chen, and further, where such exercise is permitted by the relevant PRC laws, rules and regulations, execute such documents so as to perfect the transfer of the 90% interest in Sichuang as contemplated in the Sichuang Exclusive Right to Purchase Contract.

Further, on 11 December 2006, the Company entered into the Sichuang Exclusive Business Co-operation Contract with Mr. Chen so as to enable the Company to enjoy the right to receive the cash revenues received by Sichuang from its operations, which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure and other short-term anticipated expenditure, by way of the Sichuang Service Fees, such payment be secured by creation of a pledge over 90% equity interest in Sichuang in favour of the Company under the Sichuang Pledge Contract.

Details of the Sichuang Corporate Reorganisation together with the principal terms of (i) the Share Transfer Agreement and (ii) the Sichuang Structure Contracts comprising, inter alia, the Sichuang Framework Contract, the Sichuang Exclusive Right to Purchase Contract together with the Sichuang Powers of Attorney, and the Sichuang Exclusive Business Co-operation Contract together with the Sichuang Pledge Contract are set out in this announcement.

The PRC legal advisors of the Company has confirmed that each of the constituent contracts and documents of the Sichuang Structure Contracts, inter alia, the Sichuang Powers of Attorney and the Sichuang Pledge Contract, and the Share Transfer Agreement is valid, legally binding and enforceable under the PRC laws.

The PRC legal advisors of the Company further confirmed that the whole arrangement of the Sichuang Structure Contracts and Share Transfer Agreement is valid, legal binding and enforceable under the PRC laws and does not contravene any laws, rules or regulations of the PRC.

(ii) the Lan Chuang Acquisition

On 11 December 2006, the Company entered into the Lan Chuang Structure Contracts with Lan Chuang and/or Mr. Jin and the other shareholders of Lan Chuang (as the case may be) pursuant to which, amongst others, the Company will be provided with (i) the right to receive the cash revenues received by Lan Chuang from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements; (ii) the right to acquire up to but not exceeding 85% equity interest of Lan Chuang, as and when permitted by the relevant PRC laws, rules and regulations, for a pre-paid amount, that is RMB4,250,000 (equivalent to approximately HK\$4,208,000); and (iii) a pledge over 85% equity interest in Lan Chuang.

Details of the Lan Chuang Structure Contracts are set out in this announcement.

The PRC legal advisors of the Company has confirmed that each of the constituent contracts and documents of the Lan Chuang Structure Contracts, inter alia, the Lan Chuang Pledge Contract and the Lan Chuang Powers of Attorney, is valid, legally binding and enforceable under the PRC laws. The PRC legal advisors of the Company further confirmed that the whole arrangement of the Lan Chuang Structure Contracts is valid, legally binding and enforceable under the PRC laws and does not contravene any laws, rules or regulations of the PRC.

REQUIREMENTS UNDER GEM LISTING RULES

(i) the Sichuang Corporate Reorganisation

The consideration ratio for each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract is more than 25% but less than 75%, and therefore the entry of each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract constitutes a major transaction (realisation/acquisition) under Chapter 19 of the GEM Listing Rules. The Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract are conditional upon the approval by Shareholders in the EGM and subject to the disclosure requirement as set out in Rule 19.34 of the GEM Listing Rules.

In addition, the entry of each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract constitutes a connected transaction under Chapter 19 and Chapter 20 of the Listing Rules. As each of the Sichuang Acquisition Consideration and the Sichuang Disposal Consideration is more than HK\$10,000,000 and the consideration ratio is more than 25%, the entering into of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract are subject to the reporting and announcement requirements as stated in Rules 20.45 to 47 of the GEM Listing Rules and subject to independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Mr. Chen, as a substantial shareholder of the Company, and his associates will be required to abstain from voting in EGM.

Further, the entry into the Sichuang Exclusive Business Co-operation Contract constitutes a non-exempt continuing connected transaction under Rule 20.34 of the GEM Listing Rules, which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements.

A circular containing, inter alia, the further details of the Share Transfer Agreement and the Sichuang Structure Contracts, the recommendation of the Independent Board Committee, the advice of the independent financial advisers and the relevant notice to convene the EGM will be dispatched to the Shareholders according to the requirement of the GEM Listing Rules.

(ii) the Lan Chuang Acquisition

The consideration ratio of the Lan Chuang Structure Contracts is more than 5% but less than 25%, and therefore the entering into the Lan Chuang Structure Contracts constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

Mr. Jin is a member of senior management of the Company with position as Vice-President of the Company. Also, Mr. Jin and Mr. Chen are both members of the initial management shareholders of the Company, as disclosed on page 113 of the Company's initial public offering prospectus dated 24 April 2002, and accordingly, Mr. Jin is a connected person of the Company by virtue of Rule 20.11 of the GEM Listing Rules. Apart from the forging, Mr. Chen and Mr. Jin do not have other relationship which ought to be disclosed under the GEM Listing Rules. Further, Mr. Jin holds 85% equity interest in Lan Chung, Lan Chuang is an associate of Mr. Jin and therefore a Connected Person of the Company. The entering into of the Lan Chuang Structure Contracts also constitutes a connected transaction for the Company under the GEM Listing Rules.

Since the Lan Chuang Acquisition Consideration is less than HK\$10,000,000 and each of the Percentage Ratios is less than 25%, the entering into of the Lan Chuang Structure Contracts is exempt from the independent shareholders' approval requirements pursuant to rule 20.32 of the GEM Listing Rules.

Further, the entry into the Lan Chuang Exclusive Business Co-operation Contract constitutes a non-exempt continuing connected transaction under Rule 20.34 of the GEM Listing Rules, which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements.

A circular containing, inter alia, details of the Lan Chuang Structure Contracts and the transactions contemplated thereunder will be dispatched to the Shareholders according to the requirements of the GEM Listing Rules.

(A) SICHUANG CORPORATE REORGANISATION

Sichuang, a 90% owned subsidiary of the Company, proposes to undergo the Sichuang Corporate Reorganisation. Pursuant to the Sichuang Corporate Reorganisation, on 11 December 2006, the Company entered into the Share Transfer Agreement with Mr. Chen for transfer of its 90% equity interest in Sichuang to Mr. Chen at the Sichuang Disposal Consideration of RMB27,000,000 (equivalent to approximately HK\$26,733,000) to be settled by issue of the Sichuang Promissory Note to the Company with the result that Mr. Chen will own a 90% equity interest in Sichuang upon the Sichuang Completion.

The Company surrendered its controlling shareholdings in Sichuang pursuant to the Share Transfer Agreement, and Sichuang ceased to be a subsidiary of the Company thereby.

Although Sichuang shall cease to be a subsidiary of the Company immediately upon completion of the Share Transfer Agreement, the Sichuang Structure Contracts, taken as a whole, will permit the results and financial position of Sichuang to be consolidated with the Company as if it was a subsidiary of the Company and that the economic benefit of the business of Sichuang flows to the Company.

However, as part of the Sichuang Corporate Reorganisation, the Company entered into the Sichuang Exclusive Right to Purchase Contract with Mr. Chen, pursuant to which the Company will be granted with the right to purchase 90% equity interest in Sichuang from Mr. Chen (which can only exercised by the Company as and when permitted by the relevant PRC laws, rules and regulations) at the Sichuang Acquisition Consideration of RMB27,000,000 (equivalent to approximately HK\$26,733,000) which shall be settled by setting off against the Sichuang Disposal Consideration of the same amount by way of cancellation of the Sichuang Promissory Note. Pending the exercise of such exclusive right as and when permitted by the relevant PRC laws, rules and regulations, the Company will, nevertheless, be granted with powers of attorney under the Sichuang Powers of Attorney so as to enable the Company to exercise the voting rights attaching to the 90% interests in Sichuang during the period when the 90% interests in Sichuang remain vested in Mr. Chen, and further, where such exercise is permitted by the relevant PRC laws, rules and regulations, execute such documents so as to perfect the transfer of the 90% interest in Sichuang as contemplated in the Sichuang Exclusive Right to Purchase Contract.

In conjunction with the Sichuang Exclusive Right to Purchase Contract, the Company entered into the Sichuang Exclusive Business Co-operation Contract with Mr. Chen so as to enable the Company to enjoy the right to receive the cash revenues received by Sichuang from its operations, which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure, by way of the Sichuang Service Fees, such payment to be secured by creation of a pledge over 90% equity interest in Sichuang in favour of the Company under the Sichuang Pledge Contract.

(1) Share Transfer Agreement

Date: 11 December 2006

Parties: The Company

Mr. Chen

Pursuant to the Share Transfer Agreement, the Company shall transfer its 90% equity interest in Sichuang to Mr. Chen at the Sichuang Disposal Consideration of RMB27,000,000 (equivalent to approximately HK\$26,733,000) to be settled by the issue of the Sichuang Promissory Note to the Company.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that the Company has the full legal capacity to enter into the Share Transfer Agreement and to transfer the Company's 90% equity interest in Sichuang to third parties, including Mr. Chen.

THE SICHUANG STRUCTURE CONTRACTS

(2) Sichuang Framework Contract

Date: 11 December 2006

Parties: The Company

Sichuang

Mr. Chen

Mr. Zhou

The Sichuang Framework Contract serves as the backbone of the Sichuang Structure Contracts whereby the respective parties to the Sichuang Framework Contract have agreed to sign each of the Sichuang Exclusive Right to Purchase Contract, the Sichuang Pledge Contract, the Sichuang Exclusive Business Co-operation Contract and the Sichuang Powers of Attorney (where applicable) and provide certain representations and warranties pertinent to the implementation of the Sichuang Structure Contracts and the future co-operation between the Company and Sichuang.

(3) Sichuang Exclusive Right to Purchase Contract and Sichuang Powers of Attorney

(i) Sichuang Exclusive Right to Purchase Contract

Date: 11 December 2006

Parties: The Company

Sichuang

Mr. Chen

Mr. Zhou

Under the Sichuang Exclusive Right to Purchase Contract, the Company is granted with the right to acquire a 90% equity interest in Sichuang at the Sichuang Acquisition Consideration which will be set off against the Sichuang Disposal Consideration of the same amount by way of the cancellation of the Sichuang Promissory Note. Such right to purchase may be exercised by the Company at any time subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Value-Added Business.

Under the current PRC laws, rules and regulations, there are certain restrictions against foreign investment in PRC enterprises engaged in the Value-Added Business. As the relaxation and lifting of the aforementioned restrictions will be subject to the policy of the PRC Government, the Directors are in no position to advise when these restrictions will be fully lifted. Subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Value-Added Business, the Company shall be able to acquire 90% equity interest in Sichuang and such equity interest shall be transferred at no additional consideration to the Company free from any liens, charges or other encumbrances whatsoever and together with the benefit of all rights attaching thereto at the time of exercise of the right to purchase, including the right to all dividend and other distributions thereafter declared, paid or made in respect thereof.

The Sichuang Exclusive Right to Purchase Contract also contains covenants given by the Sichuang, Mr. Chen and Mr. Zhou with respect to the governance and the conduct of the business by Sichuang, including, among others, a covenant by Sichuang, together with Mr. Chen and Mr. Zhou who should procure Sichuang, not to sell, transfer or dispose in any way of Sichuang's assets without the prior written approval of the Company or the Sichuang Exclusive Right to Purchase Contract provides otherwise.

(ii) *Sichuang Powers of Attorney*

Date: 11 December 2006

Executed by: Mr. Chen

Mr. Zhou currently holds 10% shareholdings in Sichuang and Mr. Chen shall hold 90% shareholdings in Sichuang upon the completion of the Share Transfer Agreement. The Sichuang Structure Contracts do not contain any provision specifying the board composition of Sichuang upon completion of the transactions as contemplated under the Sichuang Structure Contracts. However, Mr. Chen shall execute a power of attorney in favour of the Company pursuant to which he shall appoint the Company as his only and lawful attorney in his name and on his behalf to do or execute all or any of the following acts or things:

- (a) to attend the shareholders' meetings of Sichuang;
- (b) to exercise his voting rights in the shareholders' meetings of Sichuang in accordance with the relevant PRC laws and Sichuang's articles of association;
- (c) to act as his authorized representative in the shareholders' meeting of Sichuang and appoint the legal representative (chairman of the board of directors), directors, supervisors, general manager and other senior managerial staff of Sichuang; and
- (d) to sign the underlying Sichuang Transfer Agreement as contemplated in the Sichuang Exclusive Purchase Contract.

(4) Sichuang Exclusive Business Co-operation Contract and Sichuang Pledge Contract

(i) Sichuang Exclusive Business Co-operation Contract

Date: 11 December 2006
Parties: The Company
Sichuang

Pursuant to the Sichuang Exclusive Business Co-operation Contract, the Company will provide to Sichuang extensive technology support and consultation services including but not limited to technology services, technology development, business consultation, licensing of intellectual property rights, market consultation, product research and development and system maintenance. The services to be provided to Sichuang are consistent with the existing principal activities of the Company, i.e. the business of technology development and services, computer software development, internet engineering and sales of self-manufactured products. The parties may, during the term of the Sichuang Exclusive Business Co-operation Contract, (1) enter into further technology and consultation service agreements to prescribe specific terms and mode of provision of such services; and (2) where necessary, enter into lease agreements whereby the Company may lease certain equipment and/or assets to Sichuang.

As consideration, Sichuang will pay to the Company the Sichuang Service Fees, the amount of which will be determined and calculated on the basis of 90% of the cash revenues generated by Sichuang and its subsidiaries (either directly or indirectly controlled or interested in) from their operations through various commercial arrangements after deducting the forecast working capital needs, capital expenditure and other short-term anticipated expenditure. The Sichuang Service Fees shall be paid to the Company on a quarterly basis. In the event that Sichuang and its subsidiaries shall generate no surplus cash in any quarter of the financial year as a result of their working capital needs, the Company shall receive no Sichuang Service Fees in such quarter.

The term of the Sichuang Exclusive Business Co-operation Contract is 3 years upon execution. Upon expiry, the Company is entitled to renew the Sichuang Exclusive Business Co-operation Contract unilaterally for every period of 3 years.

The cost of the Sichuang Exclusive Business Co-operation Contract will be borne by the Group through Sichuang.

(ii) Sichuang Pledge Contract

Date: 11 December 2006
Parties: The Company
Sichuang
Mr. Chen

To secure the full performance and discharge of the obligations of Sichuang under the Sichuang Exclusive Business Co-operation Contract (including but not limited to the immediate and complete payment of the Sichuang Service Fees), Mr. Chen shall agree to enter into the Sichuang Pledge Contract and grant to the Company a continuing first priority security interest over his interests in the issued share capital of Sichuang (the “Sichuang Pledged Securities”). The Company shall be entitled to the first priority to be reimbursed from the proceeds arising out of auction or sale of the Sichuang Pledged Securities for the outstanding Sichuang Service Fees or any damages arising from the occurrence of the specified events, including, among others, any non-payment in full by Sichuang of the Sichuang Service Fees or breach of other obligations under the Sichuang Pledge Contract or any breach by Mr. Chen of terms under the Sichuang Pledge Contract.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that each and every term of the Sichuang Pledge Contract is valid, legally binding and enforceable under the PRC laws and pursuant to the Sichuang Pledge Contract, Mr. Chen shall not, without prior written consent of the Company, sell, transfer or further pledge the 90% equity interest in Sichuang to third parties.

CONDITION PRECEDENT

The Share Transfer Agreement and the Sichuang Structure Contracts are conditional upon the approval of the Share Transfer Agreement and the Sichuang Structure Contracts and the transactions contemplated thereunder at the EGM by the Independent Shareholders as required by the GEM Listing Rules.

CONSIDERATION FOR THE SHARE TRANSFER AGREEMENT AND THE SICHUANG EXCLUSIVE RIGHT TO PURCHASE CONTRACT

The Sichuang Disposal Consideration of RMB27,000,000 to be paid by Mr. Chen to the Company in respect of the transfer of the 90% interest in Sichuang pursuant to the Share Transfer Agreement, shall be settled by issue of the Sichuang Promissory Note by Mr. Chen to the Company.

The Sichuang Acquisition Consideration is the consideration of RMB27,000,000, which is payable by the Company upon granting to the Company of the exclusive right to purchase 90% interest in Sichuang under the Sichuang Exclusive Right to Purchase Contract and will be set-off against the Sichuang Disposal Consideration of the same amount by cancelling the Sichuang Promissory Note.

Both of the Sichuang Disposal Consideration and the Sichuang Acquisition Consideration have been agreed after arm’s length negotiations with reference to the audited net asset value of Sichuang for the year ended 31 December 2005 of approximately RMB35,947,000, prepared under accounting principles generally accepted in the PRC and the original capital contribution by the Company into Sichuang of RMB27,000,000.

The Directors are of the view that both of the Sichuang Acquisition Consideration and the Sichuang Disposal Consideration as mentioned above have been negotiated and determined on an arms length, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS AND BENEFITS FOR THE SICHUANG CORPORATE REORGANISATION INVOLVING THE SHARE TRANSFER AGREEMENT AND THE SICHUANG STRUCTURE CONTRACTS

Pursuant to Regulations concerning Management of Foreign-Invested Telecom Enterprises, the foreign ownership percentage in a foreign-invested telecom enterprise engaging in Value-Added Business shall not exceed 50%.

The Company contemplates the Sichuang Disposal Consideration to be paid to the Company by Mr. Chen under the Share Transfer Agreement for the 90% interests in Sichuang, to be fully annihilated by the Sichuang Acquisition Consideration to be paid to Mr. Chen by the Company under the Sichuang Exclusive Right to Purchase Contract for granting of the exclusive right to purchase the 90% interests in Sichuang. Shinewing (HK) CPA Limited, the auditors of the Company, has confirmed that no monetary gain or loss will be incurred by the Company under the Sichuang Corporate Reorganisation.

The auditors of the Company also confirmed that the Sichuang Corporate Reorganisation will not have significant impact on the consolidated financial statements of the Company. The impact on the consolidated financial statements of the Company refers to the legal and professional fees, administrative expenses and other incidental costs incurred in the execution of the Sichuang Corporate Reorganization and continuing connected transactions. Further, the auditors of the Company confirmed that the Sichuang Exclusive Business Co-operation Contract, being a continuing connected transaction, will not have significant impact on the consolidated financial statements of the Company as the relevant transactions will be eliminated on consolidation, as if Sichuang were a subsidiary of the Company.

The Sichuang Corporate Reorganisation involving the Sichuang Structure Contracts and the Share Transfer Agreement is made without incurring any monetary loss, and is made in order to satisfy the PRC's regulations regarding the foreign ownership restrictions on the Value-Added Business. As a result of the Sichuang Structure Contracts and the Share Transfer Agreement, the Group is able to recognise and receive the economic benefit of the business and operations of Sichuang, without breaching the current PRC foreign ownership restrictions on the Value-Added Business. Although Sichuang shall cease to be a subsidiary of the Company immediately upon completion of the Share Transfer Agreement, the Sichuang Structure Contracts, taken as a whole, will permit the results and financial position of Sichuang to be consolidated with the Company as if it was a subsidiary of the Company and that the economic benefit of the business of Sichuang flows to the Company.

Under the structure contractual arrangements between the Company and Sichuang, the Company is entitled to substantially absorb all of the operating profits and residual benefits generated by Sichuang. The Company has the rights to receive the cash revenues received by Sichuang from its operations, which are surplus to its requirements, having regard to its forecast working capital needs, capital expenditure and other short-term anticipated expenditure, by way of service fees. These rights exist even if the Company does not exercise the right to acquire the equity interests in Sichuang.

Shinewing (HK) CPA Limited, the auditors of the Company, has confirmed that, after the Share Transfer Agreement, Sichuang would still be consolidated into the Company's consolidated financial statements as a special purpose entity under HKAS-Int 12, on the ground that the Company maintains control over Sichuang by virtue of the various contractual arrangements under the Sichuang Corporate Reorganisation.

After the Share Transfer Agreement and the Sichuang Structure Contracts are entered into, the Company ceases to be an owner of the 90% equity interest in Sichuang and therefore cannot make any transfer of such interest to third parties. However, the Company remains to enjoy the economic benefits of Sichuang through receiving the Sichuang Service Fees contemplated under the Sichuang Exclusive Business Co-operation Contract. To secure the full performance of the obligations of Sichuang under the Sichuang Exclusive Business Co-operation Contract (including but not limited to the immediate and complete payment of the Sichuang Service Fees), Mr. Chen shall by way of the Sichuang Pledge Contract grant to the Company a continuing first priority security interest over his interests in the Sichuang Pledged Securities.

If and only if the specified events (including, among others, any non-payment in full by Sichuang of the Sichuang Service Fees or breach of other obligations under the Sichuang Pledge Contract or any breach by Mr. Chen of terms under the Sichuang Pledge Contract) contemplated under the Sichuang Pledge Contract occur, the Company shall have the first priority to be reimbursed from the proceeds arising out of auction or sale of the Sichuang Pledged Securities for the outstanding Sichuang Service Fees or any damages arising from the occurrence of the specified events.

The Board believes that the terms of the Sichuang Structure Contracts, the Share Transfer Agreement and the Sichuang Exclusive Business Co-operation Contract are negotiated on arm's length basis, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that each of the constituent contracts and documents of the Sichuang Structure Contracts and the Share Transfer Agreement is valid, legally binding and enforceable under the PRC laws. The PRC legal advisors of the Company further confirmed that the whole arrangement of the Sichuang Structure Contracts and Share Transfer Agreement is valid, legal binding and enforceable under the PRC laws and does not contravene any laws, rules or regulations of the PRC.

RISKS AND REWARDS FOR THE SICHUANG CORPORATE REORGANISATION INVOLVING THE SHARE TRANSFER AGREEMENT AND THE SICHUANG STRUCTURE CONTRACTS

Subject to PRC law limitations on foreign ownership, the foreign ownership percentage in a foreign-invested telecom enterprise engaging in the Value-Added Business shall not exceed 50%. Pursuant to the Sichuang Corporate Reorganisation, there will be no direct equity ownership interest vested in Sichuang by the Company, thus such arrangement is not in violation of the PRC law in relation to limitations on foreign ownership. However, the Company cannot assure that the PRC government would agree that such arrangement comply with PRC licensing, registration or other regulatory requirements in the future. If the PRC government determines that the Company does not comply with applicable law, it could require the Company to discontinue or restrict the Company's operations, restrict the Company's right to collect revenues, require the Company to restructure the Company's operations, impose additional conditions or requirements with which the Company may not be able to comply, or take other regulatory or enforcement actions against the Company that could be harmful to the Company's business.

In the worst case of liquidation, the beneficial owners for the distribution of the assets in Sichuang shall be its shareholders whose names have been registered with the relevant administrations of industry and commerce. The shareholders of Sichuang will receive the remaining assets in proportion to their shareholdings respectively after liquidation fee, employee wage, social insurance, statutory compensation, taxes payable and corporate liabilities have been paid off.

After the entry into the Share Transfer Agreement, Mr. Chen, in the capacity of a shareholder of Sichuang will receive the remaining assets of Sichuang upon liquidation.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that if liquidation happens before the Company exercises its right to purchase under the Sichuang Exclusive Right to Purchase Contract, the Company is not entitled to Sichuang's remaining assets in the capacity of a shareholder, given that Mr. Chen still remains as a shareholder of Sichuang.

INFORMATION ABOUT SICHUANG

Sichuang was a company incorporated in the PRC and is principally engaged in the business of computer software and hardware, internet techniques and related products' development, and technical services. Its registered capital was RMB30,000,000 in which 90% were originally contributed by the Company as to RMB27,000,000. The Company has held interests in Sichuang for a period for more than 12 months.

The audited net asset value of Sichuang as at 31 December 2005, prepared under accounting principles generally accepted in the PRC, was approximately RMB35,947,000.

The table below sets out the audited profit before and after taxation for Sichuang for each of the two years ended 31 December 2005, prepared under accounting principles generally accepted in the PRC, respectively.

Sichuang	Year ended 31 December 2004 RMB	Year ended 31 December 2005 RMB
Profit before taxation	1,836,000	5,924,000
Profit after taxation	1,159,000	5,073,000

INFORMATION ABOUT THE COMPANY

The Company is a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed on the GEM. The Company is principally engaged in the business of technology development and services, computer software development, internet engineering and sales of self-manufactured products.

The Company has engaged in the Valued-Added Business as disclosed in the Company's June Announcement. The Company, through Zhejiang Tianxin Science and Technology Development Company Limited, has diversified into the Value-Added Business.

The audited turnover of the Group for each of the two years ended 31 December 2004 and 31 December 2005 were approximately RMB185,639,000 and approximately RMB118,208,000 respectively. The unaudited turnover of the Group for the 6 months ended 30 June 2006 as stated in its interim report was approximately RMB46,322,000.

The audited net profit of the Group for the year ended 31 December 2004 was approximately RMB10,296,000. The audited net loss of the Group for the year ended 31 December 2005 was approximately RMB28,348,000. The unaudited net profit of the Group for the 6 months ended 30 June 2006 as stated in the interim report was approximately RMB174,000.

The audited net asset value (excluding minority interests) of the Group as at 31 December 2004 and 31 December 2005 were approximately RMB149,529,000 and approximately RMB121,181,000 respectively. The unaudited net asset value (excluding minority interests) of the Group for the 6 months ended 30 June 2006 as stated in its interim report was approximately RMB121,355,000.

REQUIREMENTS UNDER GEM LISTING RULES

MAJOR TRANSACTION

The consideration ratio for each of the aggregate of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract is more than 25% but less than 75%, thus the entry of each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract constitutes a major transaction (realisation/acquisition) under Chapter 19 of the GEM Listing Rules. The entering into of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract are conditional upon the approval by Shareholders in the EGM and subject to the disclosure requirement as set out in Rule 19.34 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION

The entry into the Sichuang Exclusive Business Co-operation Contract constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules. As each of the percentage ratios is less than 25% and its annual consideration is less than HK\$10,000,000, the entering into the Sichuang Exclusive Business Co-operation Contract is subject to the reporting and announcement requirements under the GEM Listing rules but exempt from the independent shareholders' approval requirement pursuant to rule 20.34 of the GEM Listing Rules.

EXPECTED ANNUAL CAPS

There is no historical transaction relating to the payment of the Sichuang Service Fees by Sichuang to the Company. Based on the business projection made by the Directors, the annual caps of the Sichuang Service Fees shall be as follows:

For the financial year ended 31 December 2007	RMB3,000,000 (equivalent to approximately HK\$2,970,000)
For the financial year ended 31 December 2008	RMB5,000,000 (equivalent to approximately HK\$4,950,000)
For the financial year ended 31 December 2009	RMB8,000,000 (equivalent to approximately HK\$7,921,000)

The above annual caps are determined with reference to the following factors:

1. it is expected that there will be a high potential growth in the Value-Added Business in the PRC and therefore it is anticipated that Sichuang will achieve a substantial increase in the Value-Added Business; and
2. it is estimated that Sichuang can achieve gross income from the Value-Added Business of approximately HK\$8,300,000, HK\$11,760,000 and HK\$19,600,000 for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 respectively.

The Directors consider that the proposed annual caps for the Sichuang Exclusive Business Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTION

Mr. Chen is the executive Director, Chairman and substantial shareholder of the Company whose shareholding represents 10.72% of the Company's issued share capital, and therefore, constitutes a Connected Person of the Company.

The entry of each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract constitutes a connected transaction under Chapter 19 and Chapter 20 of the Listing Rules. Each of the Sichuang Acquisition Consideration and the Sichuang Disposal Consideration is more than HK\$10,000,000 and the consideration ratio is more than 25%, the entering into of each of the Share Transfer Agreement and the Sichuang Exclusive Right to Purchase Contract are subject to the reporting and announcement requirements as stated in Rules 20.45 to 47 of the GEM Listing Rules and subject to independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Mr. Chen, as a substantial shareholder of the Company, and his associates will be required to abstain from voting in EGM.

The EGM will be convened for the purpose of seeking the Independent Shareholders' approval for the Share Transfer Agreement, the Sichuang Structure Contracts and the transactions contemplated thereunder in which voting will be taken by poll. Mr. Chen and his associates will abstain from voting on the resolutions to approve the Share Transfer Agreement and the Sichuang Structure Contracts and the transactions contemplated thereunder at the EGM.

A circular containing, inter alia, the further details of the Share Transfer Agreement and the Sichuang Structure Contracts, the recommendation of the Independent Board Committee, the advice of the independent financial advisers and the relevant notice to convene the EGM will be dispatched to the Shareholders according to the requirement of the GEM Listing Rules.

(B) THE LAN CHUANG STRUCTURE CONTRACTS

A brief summary of the terms of each of the constituent contracts and documents of the Lan Chuang Structure Contracts are set out as follows:

(1) Lan Chuang Framework Contract

Date:	11 December 2006
Parties:	The Company
	Lan Chuang
	Mr. Jin
	Mr. Qiu Jin-song
	Mr. Gao Zhan
	Mr. Lei Jian-min

The Lan Chuang Framework Contract serves as the backbone of the Lan Chuang Structure Contracts whereby the respective parties to the Lan Chuang Framework Contract shall agree to sign each of the Lan Chuang Exclusive Business Co-operation Contract, the Lan Chuang Pledge Contract, the Lan Chuang Exclusive Right to Purchase Contract, and the Lan Chuang Powers of Attorney (where applicable) and provide certain representations and warranties pertinent to the implementation of the Lan Chuang Structure Contracts and the future co-operation between the Company and Lan Chuang.

(2) Lan Chuang Exclusive Right to Purchase Contract

Date: 11 December 2006
Parties: The Company
Lan Chuang
Mr. Jin
Mr. Qiu Jiu-song
Mr. Gao Zhan
Mr. Lei Jian-min

Under the Lan Chuang Exclusive Right to Purchase Contract, the Company will pay to Mr. Jin RMB4,250,000 (equivalent to approximately HK\$4,208,000) and Mr. Jin will grant to the Company (or its designee) the right to acquire up to but not exceeding 85% equity interest in Lan Chuang being owned by Mr. Jin. Such right to purchase may be exercised by the Company (or its designee) at any time subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Value-Added Business.

Under the current PRC laws, rules and regulations, there are certain restrictions against foreign investment in PRC enterprises engaged in the Value-Added Business. As the relaxation and lifting of the aforementioned restrictions will be subject to the policy of the PRC Government, the Directors are in no position to advise when these restrictions will be fully lifted. Subject to the lifting of the restrictions under the relevant PRC laws, rules and regulations against foreign investment in PRC enterprises engaged in the Value-Added Business, the Company shall be able to acquire up to but not exceeding 85% equity interest in Lan Chuang (or any part thereof) and such equity interest shall be transferred at no additional consideration to the Company free from any liens, charges or other encumbrances whatsoever and together with the benefit of all rights attaching thereto at the time of exercise of the right to purchase, including the right to all dividend and other distributions thereafter declared, paid or made in respect thereof.

The Lan Chuang Exclusive Right to Purchase Contract also contains covenants given by the Lan Chuang, Mr. Jin, Mr. Qiu Jiu-song, Mr. Gao Zhan and Mr. Lei Jian-min with respect to the governance and the conduct of the business by Lan Chuang, including, among others, a covenant by the Lan Chuang, together with Mr. Jin, Mr. Qiu Jiu-song, Mr. Gao Zhan and Mr. Lei Jian-min who should procure the Lan Chuang, not to sell, transfer or dispose in any way of Lan Chuang's assets without the prior written approval of the Company or the Lan Chuang Exclusive Right to Purchase Contract provides otherwise.

(3) Lan Chuang Pledge Contract

Date: 11 December 2006
Parties: The Company
Lan Chuang
Mr. Jin

To secure the full performance and discharge of the obligations of Lan Chuang under the proposed Lan Chuang Exclusive Business Co-operation Contract (including but not limited to the immediate and complete payment of the Lan Chuang Service Fees, Mr. Jin shall agree to enter into the Lan Chuang Pledge Contract and grant to the Company a continuing first priority security interest over his interests in the issued share capital of Lan Chuang (the “Lan Chuang Pledged Securities”). The Company shall be entitled to exercise its right to purchase the Lan Chuang Pledged Securities for free or otherwise sell the Lan Chuang Pledged Securities, on the occurrence of specified events, including, among others, any non-payment in full by Lan Chuang of the Lan Chuang Service Fees or breach of other obligations under the Lan Chuang Pledge Contract or any breach by Mr. Jin of terms under the Lan Chuang Pledge Contract.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that each and every term of the Lan Chuang Pledge Contract is valid, legally binding and enforceable under the PRC laws.

(4) Lan Chuang Exclusive Business Co-operation Contract

Date: 11 December 2006
Parties: The Company
Lan Chuang

Pursuant to the proposed Lan Chuang Exclusive Business Co-operation Contract, the Company has agreed to provide to Lan Chuang extensive technology support and consultation services including but not limited to technology services, technology development, business consultation, licensing of intellectual property rights, market consultation, product research and development and system maintenance. The services to be provided to Lan Chuang are consistent with the existing principal activities of the Company, i.e. the business of technology development and services, computer software development, internet engineering and sales of self-manufactured products. The parties (or their related parties) may, during the effective period of the proposed Lan Chuang Exclusive Business Co-operation Contract, (1) enter into further technology and consultation service agreements to prescribe specific terms and mode of provision of such services; (2) where necessary, enter into licensing agreements whereby the Company may license certain intellectual property rights to Lan Chuang; and (3) where necessary, enter into lease agreements whereby the Company may lease certain equipment and/or assets to Lan Chuang.

As consideration, Lan Chuang shall agree to pay to the Company the Lan Chuang Service Fees, the amount of which will be determined and calculated on the basis of 85% of the cash revenues generated by Lan Chuang and its subsidiaries (either directly or indirectly controlled or interested in) from their operations through various commercial arrangements after deducting the forecast working capital needs, capital expenditure and other short-term anticipated expenditure. The Lan Chuang Service Fees shall be paid to the Company on a quarterly basis. In the event that Lan Chuang and its subsidiaries shall generate no surplus cash in any quarter of the financial year as a result of their working capital needs, the Company shall receive no Lan Chuang Service Fees in such quarter.

Under the proposed Lan Chuang Exclusive Business Co-operation Contract, the parties have agreed that the Company shall own all present and future rights, proprietary rights, interests, intellectual property rights generated or created as a result of performance of the proposed Lan Chuang Exclusive Business Co-operation Contract, whether or not they are developed by Lan Chuang, on an exclusive basis.

(5) Lan Chuang Powers of Attorney

Date: 11 December 2006

Executed by: Mr. Jin

Each of Mr. Qiu Jin-song, Mr. Gao Zhan and Mr. Lei Jian-min currently holds 5% shareholdings in Lan Chuang and Mr. Jin holds 85% shareholdings in Lan Chuang. The Lan Chuang Structure Contracts do not contain any provision specifying the board composition of Lan Chuang upon completion of the transactions as contemplated under the Lan Chuang Structure Contracts. However, Mr. Jin shall execute a power of attorney in favour of the Company pursuant to which he shall appoint the Company as his only and lawful attorney in his name and on his behalf to do or execute all or any of the following acts or things:

- (i) to attend the shareholders' meetings of Lan Chuang;
- (ii) to exercise his voting rights in the shareholders' meetings of Lan Chuang in accordance with the relevant PRC laws and Lan Chuang's articles of association;
- (iii) to act as his authorized representative in the shareholders' meeting of Lan Chuang and appoint the legal representative (chairman of the board of directors), directors, supervisors, general manager and other senior managerial staff of Lan Chuang; and
- (iv) to sign the underlying Lan Chuang Transfer Agreement as contemplated in the Lan Chuang Exclusive Purchase Contract.

CONSIDERATION FOR THE LAN CHUANG STRUCTURE CONTRACTS

The Lan Chuang Acquisition Consideration shall be RMB4,250,000 (equivalent to approximately HK\$4,208,000), payable by the Company to Mr. Jin in respect of granting of the right to acquire up to but not exceeding 85% equity interest in Lan Chuang under the Lan Chuang Exclusive Right to Purchase Contract. The Lan Chuang Acquisition Consideration, being provided in cash, is currently expected to be funded by internal resources of the Group.

The Lan Chuang Acquisition Consideration has been agreed after arm's length negotiations with reference to the audited net asset value of Lan Chuang for the year ended 31 December 2005 of approximately RMB4,596,000, prepared under accounting principles generally accepted in the PRC and represents a discount of approximately 8.8% of 85% of such net asset value (equivalent to approximately RMB3,907,000).

The Lan Chuang Acquisition Consideration shall be paid to Mr. Jin, the payment schedule of which shall be agreed between the Company and Mr. Jin.

The Directors are of the view that the Lan Chuang Acquisition Consideration and the payment of amount thereby to Mr. Jin in the mode as mentioned above has been negotiated and determined on an arm's length and on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Lan Chuang Acquisition Consideration payable to Mr. Jin will be satisfied by cash out of the internal resources of the Group.

REASONS AND BENEFITS OF ENTERING INTO THE LAN CHUANG STRUCTURE CONTRACTS

Pursuant to Regulations concerning Management of Foreign-Invested Telecom Enterprises, the foreign ownership percentage in a foreign-invested telecom enterprise engaging in Value-Added Business shall not exceed 50%.

As a result of the Lan Chuang Structure Contracts, the Group is able to recognize and receive the economic benefit of the business and operations of Lan Chuang. The Lan Chuang Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by the relevant PRC laws, rules and regulation) the right to acquire the equity interest in Lan Chuang. Further, the arrangements under the Lan Chuang Structure Contracts, taken as a whole, permit the results and financial position of Lan Chuang to be consolidated with the Company as if it was a subsidiary of the Company and that the economic benefit of the businesses of Lan Chuang and its subsidiaries flows to the Company.

Under the structure contractual arrangements between the Company and Lan Chuang, the Company is entitled to substantially absorb all of the operating profits and residual benefits generated by Lan Chuang. The Company has the rights to receive the cash revenues received by Lan Chuang from its operations, which are surplus to its requirements, having regard to its forecast working capital needs, capital expenditure and other short-term anticipated expenditure, by way of service fees. These rights exist even if the Company does not exercise the right to acquire the equity interests in Lan Chuang.

Shinewing (HK) CPA Limited, the auditors of the Company, has confirmed that, after the Lan Chuang Acquisition, Lan Chuang will be consolidated into the Company's consolidated financial statements as a special purpose entity under HKAS-Int 12, on the ground that the Company has control over Lan Chuang by virtue of the various contractual arrangements under the Lan Chuang Structural Contracts. Further, the auditors of the Company confirmed that the Lan Chuang Exclusive Business Co-operation Contract, being a continuing connected transaction will not have significant impact on the consolidated financial statements of the Company as the relevant transactions will be eliminated on consolidation, as if Lan Chunag was subsidiary of the Company.

The Board believes that the terms of the Lan Chuang Structure Contracts are negotiated on arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In summary, the Lan Chuang Structure Contracts provide the Company with:

1. the right to receive the cash revenues received by Lan Chuang from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements;
2. the right to acquire 85% equity interest of Lan Chuang, as and when permitted by the relevant PRC laws, rules and regulations, for the amount of RMB4,250,000; and
3. a pledge over 85% equity interest in Lan Chuang.

Zhong Lun Law Firm, the PRC legal advisors of the Company, has confirmed that each of the constituent contracts and documents of the Lan Chuang Structure Contracts is valid, legally binding and enforceable under the PRC laws. The PRC legal advisors of the Company further confirmed that the whole arrangement of the Lan Chuang Structure Contracts is valid, legally binding and enforceable under the PRC laws and does not contravene any laws, rules or regulations of the PRC.

RISKS AND REWARDS FOR THE LAN CHUANG ACQUISITION

Subject to PRC law limitations on foreign ownership, the foreign ownership percentage in a foreign-invested telecom enterprise engaging in the Value-Added Business shall not exceed 50%. Pursuant to the Lan Chuang Structure Contracts, there will be no direct equity ownership interest vested in Lan Chuang by the Company, thus such arrangement is not in violation of the PRC law in relation to limitations on foreign ownership. However, the Company cannot assure that the PRC government would agree that such arrangement comply with PRC licensing, registration or other regulatory requirements in the future. If the PRC government determines that the Company does not comply with applicable law, it could require the Company to discontinue or restrict the Company's operations, restrict the Company's right to collect revenues, require the Company to restructure the Company's operations, impose additional conditions or requirements with which the Company may not be able to comply, or take other regulatory or enforcement actions against the Company that could be harmful to the Company's business.

In the worst case of liquidation, the beneficial owners for the distribution of the assets in Lan Chuang shall be its shareholders whose names have been registered with the relevant administrations of industry and commerce. The shareholders of Lan Chuang will receive the remaining assets in proportion to their shareholdings respectively after liquidation fee, employee wage, social insurance, statutory compensation, taxes payable and corporate liabilities have been paid off.

INFORMATION ABOUT LAN CHUANG

Lan Chuang was a company incorporated in the PRC in June 2005 and is principally engaged in the business of research and development, assignment, consultation and service with respect to computer hardware and its supporting equipments, as well as in the business of the sale and data service with respect to computer hardware and its supporting equipments, telecommunication equipments and electronic devices.

Its registered capital was RMB5,000,000 in which 85% were contributed by the Mr. Jin as to RMB4,250,000. The remaining 15% share capital were contributed by Mr. Qiu Jin-song, Mr. Gao Zhan and Mr. Lei Jian-min in equal proportion, who are third parties independent of and not connected with the Company and its Connected Persons. As at the date of this announcement, Lan Chuang's shareholdings is held as to 85% by Mr. Jin, 5% by Mr. Qiu Jin-song, 5 % by Mr. Gao Zhan and 5% by Mr. Lei Jian-min.

The audited net asset value of Lan Chuang as at 31 December 2005, prepared under accounting principles generally accepted in the PRC, was approximately RMB4,596,000.

Lan Chuang was established and commenced business in June 2005 and entered into its set-up stage, which was characterised by its product and operation system development and market promotion activities, until the end of 2005. It did not generate any revenue during the set-up stage and only started to generate revenue in 2006. The table below sets out the audited loss before and after taxation for Lan Chuang for the year ended 31 December 2005, prepared under accounting principles generally accepted in the PRC.

Lan Chuang	Year ended 31 December 2005
	<i>RMB</i>
Loss before taxation	404,000
Loss after taxation	404,000

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the aforesaid, save as Mr. Jin who holds 1% shareholdings in the Company, Lan Chuang's shareholders and its ultimate beneficial owners do not hold any shares of the Company and are third parties independent of and not connected with the Company and its Connected Person.

CONTINUING CONNECTED TRANSACTION

The entry into the Lan Chuang Exclusive Business Co-operation Contract constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules. As each of the percentage ratios is less than 25% and its annual consideration is less than HK\$10,000,000, the entering into the Lan Chuang Exclusive Business Co-operation Contract is subject to the reporting and announcement requirements under the GEM Listing Rules but exempt from the independent shareholders' approval requirement pursuant to rule 20.34 of the GEM Listing Rules.

EXPECTED ANNUAL CAPS

There is no historical transaction relating to the payment of the Lan Chuang Service Fees by Lan Chuang to the Company. Based on the business projection made by the Directors, the annual caps of the Lan Chuang Service Fees shall be as follows:

For the financial year ended 31 December 2007	RMB2,000,000 (equivalent to approximately HK\$1,980,000)
For the financial year ended 31 December 2008	RMB3,000,000 (equivalent to approximately HK\$2,970,000)
For the financial year ended 31 December 2009	RMB5,000,000 (equivalent to approximately HK\$4,950,000)

The above annual caps are determined with reference to the following factors:

1. it is expected that there will be a high potential growth in the Value-Added Business in the PRC and therefore it is anticipated that Lan Chuang will achieve a substantial increase in the Value-Added Business; and
2. it is estimated that Lan Chuang can achieve gross income from the Value-Added Business of approximately HK\$5,900,000, HK\$8,800,000 and HK\$14,700,000 for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 respectively.

The Directors consider that the proposed annual caps for the Lan Chuang Exclusive Business Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DISCLOSEABLE AND CONNECTED TRANSACTION

The consideration ratio of the Lan Chuang Structure Contracts is more than 5% but less than 25%, thus the transaction constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

Mr. Jin is a member of senior management of the Company with the position as Vice-president of the Company. Also, Mr. Jin and Mr. Chen are both members of the initial management shareholders of the Company, as disclosed on page 113 of the Company's initial public offering prospectus dated 24 April 2002, and accordingly, Mr. Jin is a connected person of the Company by virtue of Rule 20.11 of the GEM Listing Rules. Apart from the foregoing, Mr. Jin and Mr. Chen do not have other relationship which ought to be disclosed under the GEM Listing Rules. Further, Mr. Jin holds 85% equity interest in Lan Chung, Lan Chuang is an associate of Mr. Jin and therefore a Connected Person of the Company. The entering into of the Lan Chuang Structure Contracts also constitutes a connected transaction for the Company under the GEM Listing Rules. Since the Lan Chuang Acquisition Consideration is less than HK\$10,000,000 and each of the Percentage Ratios is less than 25%, the Lan Chuang Structure Contracts are exempt from the independent shareholders' approval requirements pursuant to rule 20.32 of the GEM Listing Rules.

A circular containing, inter alia, details of the Lan Chuang Structure Contracts and the transactions contemplated thereunder will be dispatched to the Shareholders according to the requirements of the GEM Listing Rules.

DEFINITIONS

“annual caps”	Maximum aggregate annual value of the transactions;
“associate(s)”, “Connected Person(s)” and “substantial shareholder(s)”	have the meanings ascribed to them in the GEM Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Zheda Lande Scitech Limited* (浙江浙大網新蘭德科技股份有限公司), the H Shares of which are listed and traded on the GEM (stock code: 8106);
“Connected Person”	connected person of the Company under Chapter 20 of the GEM Listing Rules;
“Directors”	the directors of the Company, including the independent non-executive directors;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose for approving the Share Transfer Agreement, the Sichuang Structure Contracts and the transactions contemplated thereby;

“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company constituted by three independent non-executive Directors, namely Mr. Cai Xiao Fu, Mr. Zhang De Xin and Mr. Gu Yu Lin, to advise the Independent Shareholders in relation to the Share Transfer Agreement, the Sichuang Structure Contracts and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders other than Mr. Chen and his associates;
“June Announcement”	the announcement of the Company dated 15 June 2006
“Lan Chuang”	浙江蘭創通訊有限公司 (Zhejiang Lan Chuang Information Co. Ltd.*), a company incorporated in the PRC;
“Lan Chuang Acquisition”	the acquisition pursuant to which the Company will be granted with the right to purchase up to but not exceeding 85% interest in Lan Chuang under the Lan Chuang Exclusive Rights to Purchase Contract;
“Lan Chuang Acquisition Consideration”	RMB4,250,000 being the consideration to be paid by the Company under the Lan Chuang Exclusive Right to Purchase Contract;
“Lan Chuang Exclusive Business Co-operation Contract”	the exclusive business co-operation contract dated 11 December 2006 entered into between the Company and Lan Chuang, the principal terms of which are set out in the paragraph headed “The Lan Chuang Structure Contracts” in this announcement;
“Lan Chuang Exclusive Rights to Purchase Contract”	the exclusive right to purchase contract dated 11 December 2006 entered among the Company, Lan Chuang, Mr. Jin, Mr. Qiu Jin-song, Mr. Gao Zhan and Mr. Lei, Jian-min, the principal terms of which are set out in the paragraph headed “The Lan Chuang Structure Contracts” in this announcement;
“Lan Chuang Framework Contract”	the framework contract dated 11 December 2006 entered into among the Company, Lan Chuang, Mr. Jin, Mr. Qiu Jin-song, Mr. Gao Zhan and Mr. Lei Jian-min, the principal terms of which are set out in the paragraph headed “The Lan Chuang Structure Contracts” in this announcement;
“Lan Chuang Pledge Contract”	the pledge contract dated 11 December 2006 entered into among the Company, Lan Chuang and Mr. Jin, the principal terms of which are set out in the paragraph headed “The Lan Chuang Structure Contracts” in this announcement;

“Lan Chuang Powers of Attorney”	the powers of attorney dated 11 December 2006 and executed by Mr. Jin, the principal terms of which are set out in the paragraph headed “The Lan Chuang Structure Contracts” in this announcement;
“Lan Chuang Service Fees”	the service fees which Lan Chuang shall pay to the Company pursuant to the Lan Chuang Exclusive Business Co-operation Contract, the principal terms of which are set out in the paragraph headed “The Lan Chuang Exclusive Business Co-operation Contract” in this announcement;
“Lan Chuang Structure Contracts”	a suite of contracts and documents dated 11 December 2006, entered into by/between/among the Company and/or Lan Chuang and/or Lan Chuang’s shareholders (as the case may be) comprising the Lan Chuang Framework Contract, the Lan Chuang Pledge Contract, the Lan Chuang Exclusive Right to Purchase Contract, the Lan Chuang Exclusive Business Co-operation Contract and the Lan Chuang Powers of Attorney, the principal terms of each of these contracts and documents are set out in the paragraph headed the “The Lan Chuang Structure Contracts” in this announcement;
“Lan Chuang Transfer Agreement”	the transfer agreement as contemplated in the Lan Chuang Exclusive Purchase Contract, for the transfer of all or any part of the 85% equity interest in Lan Chuang owned by Mr. Jin;
“Mr. Chen”	Mr. Chen Ping, the executive Director, Chairman and substantial shareholder of the Company whose shareholding in the Company represents 10.72% of Company’s issued share capital;
“Mr. Jin”	Mr. Jin Liang-fu;
“Mr. Zhou”	Mr. Zhou Yu-xiang;
“Percentage Ratios”	has the meaning ascribed to it under the GEM Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share Transfer Agreement”	the agreement dated 11 December 2006, entered into between the Company and Mr. Chen for the transfer by the Company to Mr. Chen of its 90% interests in Sichuang, the principal terms of which are set out in the paragraph headed “Share Transfer Agreement” in this announcement;
“Shareholders”	shareholders of the Company;
“Sichuang”	浙江思創信息技術有限公司 (Zhejiang Sichuang Information Technology Co. Ltd.*), a company incorporated in the PRC, which will be owned by Mr. Chen upon Sichuang Completion and Mr. Zhou as to 90% and 10% respectively;

“Sichuang Acquisition Consideration”	the consideration of RMB27,000,000 to be paid by the Company under the Sichuang Exclusive Right to Purchase Contract;
“Sichuang Completion”	completion of the Share Transfer Agreement;
“Sichuang Corporate Reorganisation”	a corporate reorganisation to be implemented by the Company involving Sichuang;
“Sichuang Disposal Consideration”	the consideration of RMB27,000,000 to be received by the Company under the Share Transfer Agreement from Mr. Chen;
“Sichuang Exclusive Business Co-operation Contract”	the exclusive business co-operation contract dated 11 December 2006, entered into between the Company and Sichuang, the principal terms of which are set out in the paragraph headed “The Sichuang Structure Contracts” in this announcement;
“Sichuang Exclusive Right to Purchase Contract”	the exclusive right to purchase contract dated 11 December 2006, entered into among the Company, Sichuang, Mr. Chen and Mr. Zhou, the principal terms of which are set out in the paragraph headed “The Sichuang Structure Contracts” in this announcement;
“Sichuang Framework Contract”	the framework contract dated 11 December 2006, entered into among the Company, Sichuang, Mr. Chen and Mr. Zhou, the principal terms of which are set out in the paragraph headed “The Sichuang Structure Contracts” in this announcement;
“Sichuang Pledge Contract”	the pledge contract dated 11 December 2006, entered into among the Company, Sichuang and Mr. Chen, the principal terms of which are set out in the paragraph headed “The Sichuang Structure Contracts” in this announcement;
“Sichuang Powers of Attorney”	the powers of attorney dated 11 December 2006 and executed by Mr. Chen, the principal terms of which are set out in the paragraph headed “The Sichuang Structure Contracts” in this announcement;
“Sichuang Promissory Note”	an interest-free promissory note of RMB27,000,000 to be issued by Mr. Chen in favour of the Company upon the Sichuang Completion as payment of the Sichuang Disposal Consideration, the principal amount of which shall be payable immediately upon demand;
“Sichuang Service Fees”	the service fees which Sichuang shall pay to the Company pursuant to the Sichuang Exclusive Business Co-operation Contract, the principal terms of which are set out in the paragraph headed “The Sichuang Exclusive Business Co-operation Contract” in this announcement;

“Sichuang Structure Contracts”	a suite of contracts and documents each dated 11 December 2006 and entered into by/between/among the Company and/or Sichuang and/or Sichuang’s shareholders (as the case may be) and/or Mr. Chen and/or Mr. Zhou comprising the Sichuang Framework Contract, the Sichuang Pledge Contract, the Sichuang Exclusive Right to Purchase Contract, the Sichuang Exclusive Business Co-operation Contract and the Sichuang Powers of Attorney, the principal terms of each of these contracts and documents are set out in the paragraph headed the “The Sichuang Structure Contracts” in this announcement;
“Sichuang Transfer Agreement”	the transfer agreement as contemplated in the Sichuang Exclusive Right to Purchase Contract, for the transfer of all or any part of the 90% equity interest in Sichuang owned by Mr. Chen upon the completion of the Share Transfer Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Value-Added Business”	the value-added telecommunications business in the PRC which improves the economic performance and functional value of the existing network, including two primary categories: the first category being virtual area network (VAN) services, constructed on rental high-speed cable, comprising of fax storage transmission transfer network, video conferencing network, exclusive grouping transfer network and virtual private network (VPN), etc; and the second category being services proliferated from existing telecommunication network, comprising of electronic mails, video text, electronic data interchange (EDI), fax storage and forward, online database search, internet, voice-message and video-on-demand (VOD), etc.; and
“%”	percentage.

Unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB1.01. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

By Order of the Board
ZHEDA LANDE SCITECH LIMITED*
Chen Ping
Chairman

Hangzhou, the PRC, 11 December 2006

* For identification purpose only

As at the date of this announcement, the Board comprises five executive directors, being Mr. Chen Ping, Mr. Xue Shi Cheng, Mr. Hu Yang Jun, Ms. Pan Lichun and Mr. Shi Lie, and three independent non-executive directors, being Mr. Cai Xiao Fu, Mr. Zhang De Xin and Mr. Gu Yu Lin.

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 enquires, 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.

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.