



ZDL
浙大蘭德

ZHEDA LANDE SCITECH LIMITED*

浙江浙大網新蘭德科技股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8106

2007
Interim Report 2007



* for identification purpose 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 GEM 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 RMB65,504,000 for the six months ended 30 June 2007, representing an approximately 41.41% increase as compared with the turnover for the corresponding period in 2006.
- Incurred a net loss of approximately RMB7,600,000 for the six months ended 30 June 2007, as compared with the net profit for the corresponding period in 2006 of approximately RMB174,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007.

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007.

2007 INTERIM RESULTS

For the six months ended 30 June 2007, the Group recorded an unaudited turnover of approximately RMB65,504,000 (2006: RMB46,322,000), representing an increase of approximately RMB19,182,000, or approximately 41.41%, as compared with the turnover of the same period in 2006.

For the six months ended 30 June 2007, the Group recorded an unaudited net loss of approximately RMB7,600,000 (2006: net profit of RMB174,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2007 together with the unaudited figures for the corresponding period in 2006 are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2007

| | Notes | (unaudited) Six months ended 30 June | | (unaudited) Three months ended 30 June | |
|---|-------|--|-----------------|--|-------------------|
| | | 2007 RMB'000 | 2006 RMB'000 | 2007 RMB'000 | 2006 RMB'000 |
| Turnover | 3 | 65,504 | 46,322 | 34,108 | 25,322 |
| Cost of sales | 3 | (51,171) | (32,193) | (30,982) | (20,058) |
| Gross profit | | 14,333 | 14,129 | 3,126 | 5,264 |
| Other operating (expenses) income, net | | (520) | 166 | (702) | 63 |
| Distribution and selling expenses | | (5,833) | (4,377) | (2,795) | (2,108) |
| General and administrative expenses | | (17,501) | (11,068) | (6,544) | (3,340) |
| Finance costs, net | | (1,867) | (1,974) | (640) | (959) |
| Share of (losses) profits of associates | | (163) | 2,788 | (14) | 192 |
| Subsidy income | | 2,472 | 2,007 | 2,275 | 1,204 |
| (Loss) profit before tax | 4 | (9,079) | 1,671 | (5,294) | 316 |
| Income tax expense | 5 | (160) | (766) | (156) | (754) |
| (Loss) profit for the period | | <u>(9,239)</u> | <u>905</u> | <u>(5,450)</u> | <u>(438)</u> |
| Attributable to : | | | | | |
| – Equity holders of the Company | | (7,600) | 174 | (4,845) | (668) |
| – Minority interests | | (1,639) | 731 | (605) | 230 |
| | | <u>(9,239)</u> | <u>905</u> | <u>(5,450)</u> | <u>(438)</u> |
| (Loss) earnings per share – basic | 8 | <u>RMB(0.022)</u> | <u>RMB0.001</u> | <u>RMB(0.014)</u> | <u>RMB(0.002)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2007

| | <i>Notes</i> | (unaudited) 30 June 2007 RMB'000 | (audited) 31 December 2006 RMB'000 |
|---|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 12,331 | 13,148 |
| Intangible assets | | 4,938 | 9,136 |
| Goodwill | | 5,789 | 5,485 |
| Interests in associates | | 5,572 | 6,313 |
| Other non-current assets | | - | 351 |
| | | <u>28,630</u> | <u>34,433</u> |
| Current assets | | | |
| Inventories | | 1,806 | 2,180 |
| Contract work in progress | | 10,379 | 11,253 |
| Available-for-sale investments | | - | 120 |
| Trade receivables | 9 | 56,697 | 44,052 |
| Prepayments and other receivables | | 91,026 | 114,251 |
| Amounts due from associates | | 1,249 | 1,249 |
| Pledged bank deposits | 10 | 1,565 | 12,000 |
| Bank balances and cash | | 32,249 | 19,546 |
| | | <u>194,971</u> | <u>204,651</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 64,264 | 29,511 |
| Receipt in advance from customers | | 8,010 | 9,200 |
| Amount due to director | | - | 3,854 |
| Amounts due to minority shareholders | | - | 1,092 |
| Current tax liabilities | | 23 | 2,674 |
| Short-term borrowings | | 44,809 | 76,800 |
| | | <u>117,106</u> | <u>123,131</u> |
| Net current assets | | <u>77,865</u> | <u>81,520</u> |
| NET ASSETS | | <u>106,495</u> | <u>115,953</u> |
| Capital and reserves | | | |
| Paid in capital | | 33,958 | 33,958 |
| Reserves | | 58,606 | 66,206 |
| Equity attributable to equity holders of the Company | | <u>92,564</u> | <u>100,164</u> |
| Minority interests | | 13,931 | 15,789 |
| TOTAL EQUITY | | <u>106,495</u> | <u>115,953</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

| | (unaudited) Six months ended 30 June 2007 RMB'000 | (unaudited) 2006 RMB'000 |
|--|---|--------------------------------|
| Net cash inflow (outflow) from operating activities | 34,391 | (45,082) |
| Net cash inflow (outflow) from investing activities | 10,303 | (15,760) |
| Net cash (outflow) inflow from financing activities | (31,991) | 19,750 |
| Net increase (decrease) in cash and cash equivalents | 12,703 | (41,092) |
| Cash and cash equivalents at beginning of period | 19,546 | 55,955 |
| Cash and cash equivalents at end of period | 32,249 | 14,863 |

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2007

| | (unaudited) | | | | | | | |
|---|------------------|------------------|---------------------------------|---|----------------------|---|-----------------------|----------------|
| | Share capital | Share premium | Statutory surplus reserve | Statutory public welfare reserve | Retained earnings | Equity attributable to equity holders of the Company | Minority interests | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance as of 1 January 2006 | 33,958 | 71,988 | 6,910 | 3,657 | 4,668 | 121,181 | 11,556 | 132,737 |
| Net profit | - | - | - | - | 842 | 842 | 501 | 1,343 |
| Balance as of 31 March 2006 | 33,958 | 71,988 | 6,910 | 3,657 | 5,510 | 122,023 | 12,057 | 134,080 |
| Net (loss) profit | - | - | - | - | (668) | (668) | 230 | (438) |
| Capital contributions from minority shareholders | - | - | - | - | - | - | 9,153 | 9,153 |
| Balance as of 30 June 2006 | <u>33,958</u> | <u>71,988</u> | <u>6,910</u> | <u>3,657</u> | <u>4,842</u> | <u>121,355</u> | <u>21,440</u> | <u>142,795</u> |
| Balance as of 1 January 2007 | 33,958 | 71,988 | 10,567 | - | (16,349) | 100,164 | 15,789 | 115,953 |
| Net loss | - | - | - | - | (2,755) | (2,755) | (1,034) | (3,789) |
| Balance as of 31 March 2007 | 33,958 | 71,988 | 10,567 | - | (19,104) | 97,409 | 14,755 | 112,164 |
| Net loss | - | - | - | - | (4,845) | (4,845) | (605) | (5,450) |
| Release of loss of subsidiaries upon disposal of subsidiaries | - | - | - | - | - | - | (219) | (219) |
| Balance as of 30 June 2007 | <u>33,958</u> | <u>71,988</u> | <u>10,567</u> | <u>-</u> | <u>(23,949)</u> | <u>92,564</u> | <u>13,931</u> | <u>106,495</u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 20 September 2001 and its H shares were listed on the GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002 (the "Prospectus").

The condensed financial statements have been prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting" published by the International Accounting Standards Board and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2006.

3. TURNOVER AND COST OF SALES

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

(i) Primary reporting segment – business segments

The Group comprises the following main business segments:

- provision of telecommunication solutions;
- trading of hardware and computer software; and
- provision of telecommunication value-added services.

| | (unaudited) | | | | | | | |
|--|---|-------------|---|-------------|--|-------------|-----------------|-------------|
| | Provision of telecommunications solutions | | Trading of hardware and computer software | | Provision of telecommunication value-added service | | Consolidated | |
| | For the six months ended 30 June | | | | | | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment turnover | 16,330 | 10,500 | 27,254 | 20,322 | 21,920 | 15,500 | 65,504 | 46,322 |
| Segment results | 3,860 | 2,800 | 2,306 | 2,149 | 8,167 | 9,180 | 14,333 | 14,129 |
| Unallocated revenue | | | | | | | 2,472 | 2,173 |
| Unallocated expenses | | | | | | | (23,854) | (15,445) |
| Finance costs, net | | | | | | | (1,867) | (1,974) |
| Share of (losses) profits of associates | | | | | | | (163) | 2,788 |
| (Loss) profit before tax | | | | | | | (9,079) | 1,671 |
| Tax expense | | | | | | | (160) | (766) |
| (Loss) profit for the period | | | | | | | (9,239) | 905 |
| Other segment information: | | | | | | | | |
| Capital expenditures | 504 | 300 | - | - | 3,352 | 1,150 | 3,856 | 1,450 |
| Depreciation and amortisation | 3,010 | 4,100 | - | - | 2,240 | 750 | 5,250 | 4,850 |
| | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | As at | As at | As at | As at | As at | As at | As at | As at |
| | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December | 30 June | 31 December |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment assets | 16,485 | 21,607 | 14,672 | 24,301 | 40,795 | 51,848 | 71,952 | 97,756 |
| Interests in associates | 5,464 | 5,594 | - | - | 108 | 719 | 5,572 | 6,313 |
| Unallocated assets | | | | | | | 146,077 | 135,015 |
| Total assets | | | | | | | 223,601 | 239,084 |
| Segment liabilities | 3,590 | 523 | 5,216 | 10,044 | 12,450 | 21,097 | 21,256 | 31,664 |
| Unallocated liabilities | | | | | | | 95,850 | 91,467 |
| Total liabilities | | | | | | | 117,106 | 123,131 |

(ii) *Secondary reporting segment – geographical segment*

The Group operates within one geographical segment, namely the PRC. Accordingly, no geographical segment information is presented.

4. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

| | (unaudited) | | (unaudited) | |
|-------------------------------|-------------------------|----------------|---------------------------|----------------|
| | Six months ended | | Three months ended | |
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Depreciation and amortisation | 5,250 | 4,850 | 2,750 | 2,480 |
| Interest expenses | 1,970 | 2,150 | 848 | 1,090 |

5. INCOME TAX EXPENSE

| | (unaudited) | | (unaudited) | |
|------------------------|-------------------------|----------------|---------------------------|----------------|
| | Six months ended | | Three months ended | |
| | 30 June | | 30 June | |
| | 2007 | 2006 | 2007 | 2006 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| The charges comprises: | | | | |
| PRC income tax | 160 | 766 | 156 | 754 |

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% during the period.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-33% during the period in accordance with respective local tax laws and regulations.

The Group conducts its business in the PRC and therefore is not subject to Hong Kong profits tax.

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

7. RESERVE

Other than those disclosed in the condensed statement of changes in equity, there were no movements in reserves of the Group for the relevant periods in 2007 and 2006.

8. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing net loss for the six months and net loss for the three months ended 30 June 2007 of approximately RMB7,600,000 and approximately RMB4,845,000 (2006: net profit of approximately RMB174,000 and net loss of approximately RMB668,000) respectively by 339,577,000 (2006: 339,577,000) shares in issue.

No diluted earnings per share were presented for the six months and three months ended 30 June 2007 and 2006 as there was no potential dilutive securities in existence during the relevant periods.

9. TRADE RECEIVABLES

No special credit term is granted to the customers by the Group.

Trade receivables consisted of:

| | (unaudited) 30 June 2007 RMB'000 | (audited) 31 December 2006 RMB'000 |
|------------------------------|---|---|
| Trade receivables | 67,364 | 55,245 |
| Less: accumulated impairment | (10,667) | (11,193) |
| | <u>56,697</u> | <u>44,052</u> |

Aging analysis of the trade receivables net of impairment losses as at 30 June 2007 is as follows:

| | | |
|---------------------------------------|---------------|---------------|
| less than one year | 56,094 | 43,647 |
| over one year but less than two years | 603 | 405 |
| | <u>56,697</u> | <u>44,052</u> |

10. PLEDGED BANK DEPOSITS

The pledged bank deposits were pledged as security for the Group's general banking facilities.

11. TRADE AND OTHER PAYABLES

| | (unaudited) 30 June 2007 RMB'000 | (audited) 31 December 2006 RMB'000 |
|-----------------------------|---|---|
| Trade payables | 16,558 | 3,598 |
| Other payables and accruals | 47,706 | 25,913 |
| | <u>64,264</u> | <u>29,511</u> |

Aging analysis of the trade payables is as follows:

| | | |
|---------------------------------------|---------------|--------------|
| less than one year | 16,558 | 2,941 |
| over one year but less than two years | - | 657 |
| | <u>16,558</u> | <u>3,598</u> |

12. CONTINGENT LIABILITIES

As at 30 June 2007, the Group has no material contingent liabilities. As at 31 December 2006, the Group provided corporate guarantee to secure general banking facilities granted to a related company amounting to RMB20,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS**Operation review***1. Review of operating results for the period*

For the six months ended 30 June 2007, the unaudited turnover is approximately RMB65,504,000, representing an increase of approximately RMB19,182,000, or approximately 41.41%, as compared with that of the same period in 2006. For the three months ended 30 June 2007, the unaudited turnover is approximately RMB34,108,000, representing an increase of approximately RMB8,786,000, or approximately 34.70%, as compared with that of the same period in 2006.

The unaudited net loss of the Group for the six months ended 30 June 2007 and the three months ended 30 June 2007 is approximately RMB7,600,000 and RMB4,845,000 respectively.

2. Product development

During the reporting period, the development of the Company's value-added services business has gathered momentum. Traditional value-added products business such as voice message, SMS and WAP, etc. continued to grow at a steady pace during the period. In particular, the Quan Quan product, through a comprehensive technological reform, has been upgraded both in quality and production capacity, and has become a leading product in the area of cable broadband. During the reporting period, the Company has entered into co-operation agreements with 28 provincial branches of China Unicom in relation to the Quan Quan Product, in which the related online service was being launched in 22 provincial branches. As at the end of June, the number of subscribers in aggregate exceeded 1 million, and some 12 representative offices and 5 sales outlets were established in China.

The co-operation between the Company and China Telecom in respect of the Number Bai Shi Tong business was further strengthened, with the coverage of the service network continue to expand. The services provided mainly include short message business card, map business card, enterprise alliance, etc. These services are mainly targeted at enterprises, aiming at providing services of great practical value to enterprises.

Regarding the missed call notification business, the second mobile missed call notification product system developed by the Company in the early part of this year has commenced operation. The system provides services to 3 million subscribers of China Mobile. The system, following a half-year operation, was proved to be stable and users were satisfied with the services provided. The operation of the first mobile missed call notification system launched last year continued to register growth. As for the fixed-line telephone missed call notification business, the number of subscribers continued to grow. The business is gradually developing towards the personal communication assistant arena, with an aim to promote a comprehensive communication value-added service platform for fixed-line telephone business.

Positioning service is one of the operating products in the area of industry value-added service and was also one of the main business lines of the Company in the first half of 2007. The Company, in addition to providing a comprehensive information service search system for China Telecom, also provided direction consultation and peripheral information inquiry service to subscribers. In the first half of 2007, apart from co-operating with China Telecom, the Company also initiated co-operation with China Unicom. As such, the Company provided the GIS system alongside with position-based comprehensive information service, both were very comprehensive and were highly recommended by subscribers, resulting in the continuous growth in the number of trial users and subscribers.

3. *Marketing and business development*

In the first half of 2007, the Company's non-communication services in co-operation with China Telecom and China Unicom have commenced operation. The services offered under this business line mainly include hotel room reservation, air/train ticket reservation, car rental, catering, medical services and staff recruitment, etc. These services allowed users to get what they need in an instant. Apart from these services, the Company also demonstrated its flexibility and velocity by launching services in response to the needs of subscribers. For instance, leveraging on the booming stock market in the first half of 2007, the Company promptly launched the stock information service, and the number of subscribers for this service increased at an accelerating rate.

In the area of industry value-added service operations, the online service designed for industrial and commercial enterprises registered a sustainable growth in Zhejiang, and the Company has started to launch this service nationwide. Other industry services such as enterprise intelligence, legal online, etc. also started to launch nationwide.

In the first half of 2007, the Company has inaugurated the outsourcing service business, as China Telecom and China Unicom outsourced certain of their core businesses to companies with extensive experience in relevant operations. The Company, with its solid foundation and competitive edge, has won various tenders, bringing new businesses and income sources to the Company.

In the area of application service, the Company continued to use the enterprise and mobile telecommunications portals as the base for developing extended products, with an aim to secure the Company's leading position in this arena. The projects implemented in the first half of 2007 include MSS Phase II of Tianjin Unicom, MSS Phase II of Shanghai Unicom, MSS Phase I of Anfei Unicom, OA Phase III and approval process of Northern Telecom, capacity expansion of equipment and OA upgrade of Jiangxi Mobile, OA maintenance of Zhejiang Mobile, capacity expansion of equipment, OA upgrade and online operation lounge of Neimenggu Mobile, and OA maintenance projects of all the provincial branches of Unicom.

4. *Employees information*

As at 30 June 2007, the Group had 374 employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB7,230,000 (2006: RMB7,500,000).

The Group's human resources management strategy is formulated in accordance with the Group's development strategy and long term goal. At the same time, incentive scheme will be embedded in other human resources programs and flourishing result is expected from this cross match. The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for human development and formulated a good system in people deployment and incubation. The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability, and work attitude, an integrated evaluation could be established for the employee which will be used as referencing standard. Through the integration of the two systems, the employees are effectively motivated and the attainment of the Group's target is assured.

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. Training plan was given to suit individual staff so as to help each one more compatible with the Company's job requirement and ensure comprehensive development during his career life.

The Group did not issue any share options nor had any bonus plan.

Financial review

- The Group has maintained sound financial conditions. For the six months ended 30 June 2007, the Group was mainly financed by funds generated from operations.
- As at 30 June 2007, the Group's cash and bank balances amounted to approximately RMB33,814,000 (31 December 2006: RMB31,546,000).
- As at 30 June 2007, the Group had outstanding short term bank borrowings amounted to RMB44,809,000 (31 December 2006: RMB76,800,000).
- As at 30 June 2007, the Group had a total asset value of approximately RMB223,601,000 (31 December 2006: RMB239,084,000).
- As at 30 June 2007, the Group had current liabilities of approximately RMB117,106,000 (31 December 2006: RMB123,131,000).
- As at 30 June 2007, the Group had equity attributable to equity holders of the Company of approximately RMB92,564,000 (31 December 2006: RMB100,164,000).
- As at 30 June 2007, the Group had no material contingent liabilities (31 December 2006: the Group provided corporated guarantee to secure general banking facilities granted to a related company amounting to RMB20,000,000).

- As at 30 June 2007, the Group had minority interests of approximately RMB13,931,000 (31 December 2006: RMB15,789,000).
- As at 30 June 2007, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 52.37% (31 December 2006: 51.50%).
- As at 30 June 2007, the Group had a net current asset ratio (i.e. the ratio of current liabilities to current assets) of approximately 60.06% (31 December 2006: 60.17%).
- As at 30 June 2007, bank deposits amounting to approximately RMB1,565,000 (31 December 2006: RMB12,000,000) was pledged to secure general banking facilities of the Group.
- Since substantially all of the Group's revenue is in Reminbi and its expenses are paid in Reminbi, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.

Future prospects

1. Orders in hand/Sales contract status

The orders in hand of the Group mainly include the capacity expansion projects for the management support system in various provinces, with the focus on enterprise and mobile telecommunications portals and extended products. The Company, being the second stage selected supplier of Unicom's management support system, has successfully completed the second stage pilot project in Chongqing Unicom. It is expected that the Company will sign contracts with 8 provincial branches of China Unicom in the latter half of 2007, which will further consolidate the leading position of the Company as one of the operators of Unicom. In addition to co-operating with China Unicom, the Company also strengthens its ties with China Telecom, China Mobile and China Netcom, so as to speed up the expansion of its operations in the areas covered by these 3 operators. Sales contracts expected to conclude in the latter half of the year include Chongqing Netcom's enterprise portal, Jiangxi Mobile's mobile telecommunications portal and outsourcing services, Zhejiang Mobile's phase III upgrade reform and Northern Telecom's OA phase III contracts covering 9 provinces. Through the execution of these contracts, the Company will be able to maintain its leading position in OA, enterprise and mobile telecommunications portals. In respect of positioning service, the Company will, according to the business development of China Telecom, promote its GIS system and vertical search system in the telecom market in all parts of China. Also, the map-marking business will commence in all other provinces through active co-operation with China Telecom and SOHU, and it is expected that this business will be operating in 3 to 4 other provinces in the latter half of 2007. The intensive promotion of fixed line telephone value-added services and the personal communication assistant service will be launched nationwide. In addition, the Company will conclude operation contracts for the operation of enterprise information, enterprise intelligence and legal online business in various provinces.

2. *Prospects of new business and new products*

Regarding value-added service business, the Group will develop new products according to market demand. The major task in the latter half of the year will be the ongoing enhancement of the Quan Quan product, with the aim to enhancing its quality and enriching its functionalities and capacity. Apart from the movie, TV and online education sectors, the Company will penetrate into the market of entertainment, games, real-time communication and online shopping, in order to broaden its clientele. In addition, theme forums will be conducted in highly professional manner with the themes organized in a well-defined pattern, so as to make it more attractive.

In the latter half of 2007, the Company will, depending on market conditions, launch a new product – the small-sum-payment alliance, which links up websites, online shopping and payment via telecom. The Company is aiming at making small-sum-payment system the most expedite, convenient and the safest transaction platform.

Regarding the application service, as for the management support system, the Company will launch the JAVA version professional micro OA system in the latter half of the year, in order to raise work efficiency under an informatized office. The Company will also develop the Lande synergistic office system and Lande electronic process system, the internal test of which will be completed in the latter half of the year.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES**Directors', Supervisors' and chief executives' interests in securities**

Save as disclosed below, as at 30 June 2007, none of the Directors, Supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFC")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

| Name | Type of interests | Capacity | Number of Domestic Shares held | Percentage of beneficial interests in the Company's share capital |
|--------------------------------|-------------------|------------------|--------------------------------|---|
| <i>Director</i> | | | | |
| Chen Ping | Personal | Beneficial owner | 36,392,320 | 10.72% |
| <i>Chief Executive Officer</i> | | | | |
| Liu Qiao Ping | Personal | Beneficial owner | 10,235,340 | 3.01% |

Directors', Supervisors' and chief executives' rights to acquire shares

For the six months ended 30 June 2007, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2007, none of the Directors, Supervisors or chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for (or warrants or debentures, if applicable) or to acquire shares of 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 30 June 2007, no option has been granted pursuant to such share option scheme.

Interest disclosable under the SFO and substantial shareholders

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 30 June 2007, no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shares as recorded in the register maintained under section 336 of the SFO:

Long position in shares

| Shareholder | Capacity | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|------------------|-------------------------------|--|
| Insigma Technology Co. Ltd. | Beneficial owner | 81,802,637 Domestic Shares | 24.10% |
| Guoheng Shengxing Media Science Group Company Limited | Beneficial owner | 34,117,800 Domestic Shares | 10.05% |
| Fong For | Beneficial owner | 21,735,000 H Shares | 6.40% |
| Shi Chun Hua | Beneficial owner | 16,490,280 Domestic Shares | 4.86% |
| Wu Zhong Hao | Beneficial owner | 16,490,280 Domestic Shares | 4.86% |

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.

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 the GEM Listing Rules. The audit committee comprises the three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin and Mr. Cai Xiao Fu, with Mr. Gu Yu Lin as the chairman.

The condensed interim financial statements for the six months ended 30 June 2007 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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 six months ended 30 June 2007.

Code of conduct regarding securities transactions by Directors

During the six months ended 30 June 2007, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and code of conduct regarding securities transactions by Directors.

Corporate governance

The Company has endeavoured to compile with all code provisions as set out in the code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2007.

On behalf of the Board

Chen Ping
Chairman

14 August 2007, Hangzhou, the PRC