



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

Interim Report 2012

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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HIGHLIGHTS

- Achieved a turnover of approximately RMB25,097,000 for the six months ended 30 June 2012, representing an approximately 22.21% decrease as compared with the turnover for the corresponding period in 2011.
- Incurred a net loss of approximately RMB1,054,000 for the six months ended 30 June 2012, as compared with the net loss for the corresponding period in 2011 of approximately RMB1,069,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

The board of directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012.

2012 INTERIM RESULTS

For the six months ended 30 June 2012, the Group recorded an unaudited turnover of approximately RMB25,097,000 (2011: RMB32,262,000), representing a decrease of approximately RMB7,165,000, or approximately 22.21%, as compared with the turnover of the same period in 2011.

For the six months ended 30 June 2012, the Group recorded an unaudited net loss of approximately RMB1,054,000 (2011: RMB1,069,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2012 together with the unaudited figures for the corresponding period in 2011 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2012

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	3	25,097	32,262	13,360	13,669
Cost of sales		(10,475)	(22,059)	(5,702)	(7,994)
Gross profit		14,622	10,203	7,658	5,675
Other operating income		418	431	400	231
Other operating expenses		(45)	(27)	(14)	(13)
Distribution and selling expenses		(514)	(846)	(257)	(346)
General and administrative expenses		(14,908)	(10,638)	(7,704)	(5,704)
Finance costs, net		155	89	123	56
Share of results of associate		55	204	(40)	590
(Loss) profit before tax	4	(217)	(584)	166	489
Income tax	5	(482)	(377)	(260)	(272)
(Loss) profit for the period		(699)	(961)	(94)	217
Attributable to:					
Owners of the Company		(1,054)	(1,069)	(304)	(71)
Non-controlling interests		355	108	210	288
		(699)	(961)	(94)	217
Loss per share – Basic	8	RMB0.003	RMB0.003	RMB0.01	RMB0.001

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		(unaudited) 30 June 2012 RMB'000	(audited) 31 December 2011 RMB'000
	<i>Notes</i>		
Non-current assets			
Plant and equipment		4,798	5,284
Intangible assets		307	88
Goodwill		956	956
Interests in an associate		2,822	2,767
		8,883	9,095
Current assets			
Inventories		2,509	757
Trade receivables	9	9,619	7,792
Prepayments and other receivables		66,675	54,924
Amount due from an associate		–	314
Bank balances and cash		12,963	25,005
		91,766	88,792
Current liabilities			
Trade and other payables	10	18,417	15,762
Receipt in advance from customers		457	131
Current tax liabilities		2,211	1,731
		21,085	17,624
Net current assets		70,681	71,168
NET ASSETS		79,564	80,263
Capital and reserves			
Paid-in capital		35,655	35,655
Reserves		38,981	40,035
Equity attributable to owners of the Company		74,636	75,690
Non-controlling interests		4,928	4,573
TOTAL EQUITY		79,564	80,263

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	(unaudited)	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash (outflow) inflow from operating activities	(11,536)	2,688
Net cash outflow from investing activities	(506)	(379)
Net (decrease) increase in cash and cash equivalents	(12,042)	2,309
Cash and cash equivalents at beginning of period	25,005	29,199
Cash and cash equivalents at end of period	12,963	31,508

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2012*

	(unaudited)						
				Equity attributable to owners			
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2011	35,655	76,570	10,567	(43,520)	79,272	4,966	84,238
Net loss	-	-	-	(998)	(998)	(180)	(1,178)
Balance as at 31 March 2011	35,655	76,570	10,567	(44,518)	78,274	4,786	83,060
Net (loss) profit	-	-	-	(71)	(71)	288	217
Balance as at 30 June 2011	35,655	76,570	10,567	(44,589)	78,203	5,074	83,277
Balance as at 1 January 2012	35,655	76,570	10,567	(47,102)	75,690	4,573	80,263
Net (loss) profit	-	-	-	(750)	(750)	145	(605)
Balance as at 31 March 2012	35,655	76,570	10,567	(47,852)	74,940	4,718	79,658
Net (loss) profit	-	-	-	(304)	(304)	210	(94)
Balance as at 30 June 2012	35,655	76,570	10,567	(48,156)	74,636	4,928	79,564

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 (the "Prospectus") of the Company dated 24 April 2002.

The condensed financial statements have been prepared in accordance with International Accounting 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 2011.

3. TURNOVER AND SEGMENT INFORMATION

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)						Consolidated	
	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services			
	For the six months ended 30 June							
	2012	2011	2012	2011	2012	2011	2012	2011
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment turnover	699	464	8,542	21,435	15,856	10,363	25,097	32,262
Segment results	8	364	800	916	13,814	8,923	14,622	10,203
Unallocated revenue							418	431
Unallocated expenses							(15,467)	(11,511)
Finance costs, net							155	89
Share of results of associate							55	204
Loss before tax							(217)	(584)
Income tax							(482)	(377)
Loss for the period							(699)	(961)
Other segment information:								
Capital expenditures	14	5	172	252	320	122	506	379
Depreciation and amortisation	21	13	257	609	477	294	755	916

	(unaudited)		(audited)		(unaudited)		(audited)	
	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
	2012	2011	2012	2011	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	2,129	-	4,755	13,994	20,155	9,243	27,039	23,237
Unallocated assets							73,610	74,650
Total assets							100,649	97,887
Segment liabilities	1,346	-	1,888	10,095	3,685	1,740	6,919	11,835
Unallocated liabilities							14,166	5,789
Total liabilities							21,085	17,624

(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	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	755	916	373	491

5. INCOME TAX

	(unaudited)		(unaudited)	
	Six months ended		Three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")	482	377	260	272

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2011: 15%) as they were classified as Advanced and New Technology Enterprise.

The business of the Group is conducted in 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 2012 (2011: Nil).

7. RESERVES

Other than those disclosed in the condensed consolidated statement of changes in equity, there were no movements in the reserves of the Group for the relevant periods in 2012 and 2011.

8. LOSS PER SHARE

Loss per share has been computed by dividing net loss for the six months and three months ended 30 June 2012 of approximately RMB1,054,000 and approximately RMB304,000 (2011: net loss of approximately RMB1,069,000 and RMB71,000), respectively, by 356,546,000 (2011: 356,546,000) shares in issue.

No diluted loss per share were presented for the six months and three months ended 30 June 2012 and 2011 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)	(audited)
	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Trade receivables	15,630	13,803
Less: impairment losses	(6,011)	(6,011)
	9,619	7,792
Aging analysis of the trade receivables net of impairment losses is as follows:		
less than one year	9,619	7,792
over one year but less than two years	-	-
	9,619	7,792

10. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2012 RMB'000	(audited) 31 December 2011 RMB'000
Trade and bill payables	3,743	2,042
Other payables and accruals	14,674	13,720
	18,417	15,762
Aging analysis of the trade payables is as follows:		
less than one year	3,621	1,920
more than three years	122	122
	3,743	2,042

MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

1. *Review of operating results for the period*

For the six months ended 30 June 2012, the unaudited turnover is approximately RMB25,097,000, representing a decrease of approximately RMB7,165,000, or approximately 22.21%, as compared with that of the same period in 2011. For the three months ended 30 June 2012, the unaudited turnover is approximately RMB13,360,000, representing a decrease of approximately RMB309,000, or approximately 2.26%, as compared with that of the same period in 2011.

The unaudited net loss of the Group for the six months ended 30 June 2012 and the three months ended 30 June 2012 is approximately RMB1,054,000 and RMB304,000, respectively.

2. *Product Research and Development*

During the period, the Group strengthened product features and applications based on market needs, and actively developed innovative products as well as mobile customer-end applications for mobile internet users by leveraging on the resources of operators. The Group also conducted R & D of services and products catering to the requirements of enterprises, such as supplying Internet products like corporate e-service platforms. The Group integrated industrial resources by combining the ECP products of Zhejiang Telecom with industry applications, working towards professionalism while ensuring basic communication functions, promoting such products to relevant sectors, bringing together industry information and segments, and aiming to create an integrated information platform providing real-time communications and industry applications. The Group also developed a zhezhewang platform to provide consumers with bargain and discount information and service platform, and offer customized and featured services by integrating business resources.

3. *Market and Business Development*

During the period, the Group made steady progress in its existing businesses, including Bai Shi Tong Alliance business of China Telecom 114 Bai Shi Tong, missed call alert, mobile music, SMS business cards, PCA, map business cards and 114 business information, Industry & commerce information platform and zhezhewang platform. The Group integrated China Telecom's ECP applications with the Group's own products in joint development and expansion of the market.

4. *Investment and Cooperation*

During the period, the Group continued to maintain smooth cooperation with operators such as China Mobile, China Unicom and China Telecom, and close collaboration with Zhejiang University and other scientific research institutions in terms of joint R & D.

5. *Employees Information*

As at 30 June 2012, the Group had approximately 308 (2011: 245) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB8,450,800 (2011: RMB6,031,800).

The Group's human resources management strategy is formulated in accordance with the Group's guidelines of development strategy on one hand and with requirements under long term vision planning as her target direction on the other. 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 2012, the Group was mainly financed by funds generated from operations.
- As at 30 June 2012, the Group's bank balances and cash amounted to approximately RMB12,963,000 (31 December 2011: RMB25,005,000).

- As at 30 June 2012, the Group had no outstanding short term bank borrowings (31 December 2011: Nil).
- As at 30 June 2012, the Group had a total asset value of approximately RMB100,649,000 (31 December 2011: RMB97,887,000).
- As at 30 June 2012, the Group had current liabilities of approximately RMB21,085,000 (31 December 2011: RMB17,624,000).
- As at 30 June 2012, the Group had equity attributable to owners of the Company of approximately RMB74,636,000 (31 December 2011: RMB75,690,000).
- As at 30 June 2012, the Group had no material contingent liabilities (31 December 2011: Nil).
- As at 30 June 2012, the Group had non-controlling interests of approximately RMB4,928,000 (31 December 2011: RMB4,573,000).
- As at 30 June 2012, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 20.95% (31 December 2011: 18.00%).
- As at 30 June 2012, the Group had a net current asset ratio (i.e. the ratio of current liabilities to current assets) of approximately 22.98% (31 December 2011: 19.85%).
- Since substantially all of the Group's revenue is in Renminbi and its expenses are paid in Renminbi, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.

Future prospects

1. *Order backlog/sales contracts*

At present, the Group maintains close cooperation in the business of value-added services with major operators and the existing businesses of Bai Shi Tong Alliance business of China Telecom 114 Bai Shi Tong, missed call alert, mobile music, SMS business cards, PCA, map business cards and 114 business information, Industry & commerce information platforms and zhezhe wang platform continued are operated and implemented in a relatively stable way and sustainable development can be expected. Meanwhile, the Group has negotiated with provincial and municipal operators for introducing new products so as to expand our market share. On the basis of the existing large number of active customers, the Group is developing new products for replacement and upgrading products to maintain customer loyalty. Meanwhile, the Group is also improving service quality to maintain a stable source of customers.

2. *Prospects for new business or new products*

During the period, the R & D center has contributed a lot to the Group's product development and technological innovation by developing innovative applications in money keeper, customer information management and keyword management, combined with the Group's extensive experience in value-added services over the years, leveraging on the progress in communication technology and the timely response to market needs.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

Directors', Supervisors' and chief executives' interests in securities

Save as disclosed below, as at 30 June 2012, 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 "SFO")) 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 & Chief Executive Officer</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.21%
<i>Director</i>				
Mr. Jin Lian Fu	Personal	Beneficial owner	3,411,790	0.96%

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

For the six months ended 30 June 2012, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2012, 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 adopted the share option scheme conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002. 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. The Share Option Scheme was expired on 20 April 2012. Up to 30 June 2012, 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 2012, 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 shareholders 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	22.94%
Shanghai Longtail Investment Management Co., Ltd.	Beneficial owner	34,117,808 domestic shares	9.57%
Guoheng Fashion Media Technology Group Co., Ltd.	Beneficial owner	34,117,800 domestic shares	9.57%

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Mr. Fong For	Beneficial owner	21,735,000 H shares	6.10%
Mr. Wu Zhong Hao	Beneficial owner	16,490,280 domestic shares	4.63%
Ms. Liu Qiao Ping	Beneficial owner	10,235,340 domestic shares	2.87%
Mr. Shi Chun Hua	Beneficial owner	7,235,812 domestic shares	2.03%

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 2012 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 2012.

Code of conduct regarding securities transactions by Directors

During the six months ended 30 June 2012, 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 2012.

On behalf of the Board

Chen Ping

Chairman

10 August 2012, Hangzhou, the PRC