



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 **2013**

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.*

* For identification purpose only

HIGHLIGHTS

- Achieved a turnover of approximately RMB26,058,000 for the six months ended 30 June 2013, representing an approximately 3.83% increase as compared with the turnover for the corresponding period in 2012.
- Achieved a net profit of approximately RMB1,080,000 for the six months ended 30 June 2013, as compared with the net loss for the corresponding period in 2012 of approximately RMB1,054,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

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 2013.

2013 INTERIM RESULTS

For the six months ended 30 June 2013, the Group recorded an unaudited turnover of approximately RMB26,058,000 (2012: RMB25,097,000), representing an increase of approximately RMB961,000, or approximately 3.83%, as compared with the turnover of the same period in 2012.

For the six months ended 30 June 2013, the Group recorded an unaudited net profit of approximately RMB1,080,000 (2012: net loss of RMB1,054,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2013 together with the unaudited figures for the corresponding period in 2012 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2013

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	3	26,058	25,097	12,052	13,360
Cost of sales		(9,464)	(10,475)	(3,596)	(5,702)
Gross profit		16,594	14,622	8,456	7,658
Other operating income		362	418	349	400
Other operating expenses		(27)	(45)	(13)	(14)
Distribution and selling expenses		(287)	(514)	(88)	(257)
General and administrative expenses		(14,790)	(14,908)	(7,652)	(7,704)
Finance costs, net		3	155	5	123
Share of results of an associate		-	55	-	(40)
Profit (loss) before tax	4	1,855	(217)	1,057	166
Income tax	5	(501)	(482)	(233)	(260)
Profit (loss) for the period		1,354	(699)	824	(94)
Attributable to:					
Owners of the Company		1,080	(1,054)	718	(304)
Non-controlling interests		274	355	106	210
		1,354	(699)	824	(94)
Earnings (loss) per share					
– Basic	8	RMB0.003	RMB(0.003)	RMB0.002	RMB(0.001)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		(unaudited) 30 June 2013 RMB'000	(audited) 31 December 2012 RMB'000
	Notes		
Non-current assets			
Plant and equipment		4,170	5,284
Intangible assets		472	38
Goodwill		956	956
Other non-current assets		6	-
		5,604	6,278
Current assets			
Inventories		3,335	1,062
Trade receivables	9	8,107	6,594
Prepayments and other receivables		84,890	77,370
Bank balances and cash		4,897	14,774
		101,229	99,800
Current liabilities			
Trade and other payables	10	12,813	14,386
Receipt in advance from customers		1,139	495
Income tax payable		2,243	1,913
		16,195	16,794
Net current assets		85,034	83,006
NET ASSETS		90,638	89,284
Capital and reserves			
Paid-in capital		35,655	35,655
Reserves		49,442	48,362
Equity attributable to owners of the Company		85,097	84,017
Non-controlling interests		5,541	5,267
TOTAL EQUITY		90,638	89,284

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	(unaudited)	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Net cash outflow from operating activities	(9,826)	(11,536)
Net cash outflow from investing activities	(51)	(506)
Net decrease in cash and cash equivalents	(9,877)	(12,042)
Cash and cash equivalents at beginning of period	14,774	25,005
Cash and cash equivalents at end of period	4,897	12,963

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	(unaudited)						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Equity attributable to owners 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 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
Balance as at 1 January 2013	35,655	76,570	10,567	(38,775)	84,017	5,267	89,284
Net profit	-	-	-	362	362	168	530
Balance as at 31 March 2013	35,655	76,570	10,567	(38,413)	84,379	5,435	89,814
Net profit	-	-	-	718	718	106	824
Balance as at 30 June 2013	35,655	76,570	10,567	(37,695)	85,097	5,541	90,638

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2012.

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)							
	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June								
Segment turnover	101	699	6,582	8,542	19,375	15,856	26,058	25,097
Segment results	1	8	747	800	15,846	13,814	16,594	14,622
Unallocated revenue							362	418
Unallocated expenses							(15,104)	(15,467)
Finance costs, net							3	155
Share of results of an associate							-	55
Profit (loss) before tax							1,855	(217)
Income tax							(501)	(482)
Profit (loss) for the period							1,354	(699)
Other segment information:								
Capital expenditures	-	14	13	172	38	320	51	506
Depreciation and amortisation	3	21	164	257	499	477	666	755
	(unaudited)	(audited)	(unaudited)	(audited)	(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
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,119	91	2,580	5,692	11,720	9,610	15,419	15,393
Unallocated assets							91,414	90,685
Total assets							106,833	106,078
Segment liabilities	1,371	-	209	2,374	3,640	971	5,220	3,345
Unallocated liabilities							10,975	13,449
Total liabilities							16,195	\$16,794

(ii) Secondary reporting segment – geographical segment

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

4. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	(unaudited)		(unaudited)	
	Six months ended 30 June		Three months ended 30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	666	755	316	373

5. INCOME TAX

	(unaudited)		(unaudited)	
	Six months ended 30 June		Three months ended 30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT")	501	482	233	260

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% (2012: 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 2013 (2012: 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 2013 and 2012.

8. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been computed by dividing net profit for the six months and three months ended 30 June 2013 of approximately RMB1,080,000 and approximately RMB718,000 (2012: net loss of approximately RMB1,054,000 and RMB304,000), respectively, by 356,546,000 (2012: 356,546,000) shares in issue.

No diluted earnings (loss) per share were presented for the six months and three months ended 30 June 2013 and 2012 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 2013 RMB'000	(audited) 31 December 2012 RMB'000
Trade receivables	13,803	12,290
Less: impairment losses	(5,696)	(5,696)
	8,107	6,594
Aging analysis of the trade receivables net of impairment losses is as follows:		
less than one year	8,107	6,594
over one year but less than two years	-	-
	8,107	6,594

10. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2013 RMB'000	(audited) 31 December 2012 RMB'000
Trade and bill payables	2,633	1,725
Other payables and accruals	10,180	12,661
	12,813	14,386
Aging analysis of the trade payables is as follows:		
less than one year	2,511	1,603
more than three years	122	122
	2,633	1,725

MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

1. *Review of operating results for the period*

For the six months ended 30 June 2013, the unaudited turnover is approximately RMB26,058,000, representing a increase of approximately RMB961,000, or approximately 3.83%, as compared with that of the same period in 2012. For the three months ended 30 June 2013, the unaudited turnover is approximately RMB12,052,000, representing a decrease of approximately RMB1,308,000, or approximately 9.79%, as compared with that of the same period in 2012.

The unaudited net profit of the Group for the six months ended 30 June 2013 and the three months ended 30 June 2013 is approximately RMB1,080,000 and RMB718,000, respectively.

2. *Product research and development*

During the period, the Group actively developed new products and maintained existing operations which cover enterprise marketing services, application of enterprise and personal telecommunication services and personal entertainment etc. Capitalizing on the close cooperation with China Telcom, the Group explored the industrial applications and integrated the industry resources so that on top of basic communication functions, it would expand further towards specialization, aiming to build up an integrated information platform combining instant communication and industry application by aggregating industry information and segments. The Group has set up a zhe zhe wang website as service platform to provide customers with discount information, and integrated the resources from industry players to customize special services.

3. *Market and business development*

The existing businesses of the Group cover enterprise marketing services, enterprise and personal telecommunication services, personal entertainment, including various aspects such as online business information and Internet business services. Our products including 114 Bai Shi Tong Alliance, missed call alert, mobile phone music, SMS business cards, PCA, map business cards, 114 business information, industry and commerce information platform and zhe zhe wang website were all growing steadily. We have been fostering and exploring the market by integrating China Telecom's Coordinated ECP application simultaneously into our own products.

4. *Investment and cooperation*

During the period, the Group continued to maintain close cooperation relationship with operators such as China Mobile, China Unicom and China Telecom and continued to cooperate with research institutions like Zhejiang University on joint research and development projects.

5. *Employees information*

As at 30 June 2013, the Group had approximately 304 (2012: 308) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB9,186,000 (2012: RMB8,450,800).

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 its 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 2013, the Group was mainly financed by funds generated from operations.
- As at 30 June 2013, the Group's bank balances and cash amounted to approximately RMB4,897,000 (31 December 2012: RMB14,774,000).
- As at 30 June 2013, the Group had no outstanding short term bank borrowings (31 December 2012: Nil).
- As at 30 June 2013, the Group had a total asset value of approximately RMB106,883,000 (31 December 2012: RMB106,078,000).
- As at 30 June 2013, the Group had current liabilities of approximately RMB16,195,000 (31 December 2012: RMB16,794,000).
- As at 30 June 2013, the Group had equity attributable to owners of the Company of approximately RMB85,097,000 (31 December 2012: RMB84,017,000).
- As at 30 June 2013, the Group had no material contingent liabilities (31 December 2012: Nil).
- As at 30 June 2013 the Group had non-controlling interests of approximately RMB5,541,000 (31 December 2012: RMB5,267,000).
- As at 30 June 2013, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 15.15% (31 December 2012: 15.83%).
- As at 30 June 2013, the Group had a net current asset ratio (i.e. the ratio of current liabilities to current assets) of approximately 16.00% (31 December 2012: 16.83%).
- 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*

Currently, the Group is working closely with operators in respect of value-added service business. Products and business contracts include China Telecom's Bai Shi Tong Alliance, missed call alert, mobile phone music, SMS business cards, PCA, map business cards, 114 business information, industry and commerce information platform and discount website, the operation of which have been stable and in continued growth.

The Group is also engaged in enterprise marketing service, including key words release and precise advertisement broadcasting.

Based on the current large number of active customers, in order to strengthen the customer loyalty, the Group is focusing its research and development work on new product replacement and upgrade. Also, the Group will improve its service standards to ensure stable customer sources.

2. *Prospects for new business or new products*

During the period, the Group continued its marketing efforts in businesses such as financial stewardship, customer information operation, key words operation etc. and leveraged on our rich experience in value-added business by combing the upgrading of telecommunications technology to propel the Group's product development and technology innovation to meet with market demands.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

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

Save as disclosed below, as at 30 June 2013, 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 Issuers 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%

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

For the six months ended 30 June 2013, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2013, 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 2013, 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 2013, 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%
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 2013 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 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2013, 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 Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2013.

On behalf of the Board

Chen Ping

Chairman

9 August 2013, Hangzhou, the PRC