



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)**

## **FINAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006**

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*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 GEM of the Stock Exchange 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 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.*

\* For identification purpose only

## **HIGHLIGHTS**

- Achieved a turnover of approximately RMB163,752,000 for the year ended 31 December 2006, representing an approximately 38.53% increase as compared with the turnover for the year 2005
- Incurred a net loss of approximately RMB21,017,000 for the year ended 31 December 2006, comparing to a net loss of approximately RMB28,348,000 incurred for the year 2005
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2006

## CONSOLIDATED FINANCIAL INFORMATION

The board of directors (the “Board”) of Zheda Lande Scitech Limited (the “Company”) is pleased to present the consolidated income statement of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006, the consolidated balance sheet of the Group as at 31 December 2006 and the consolidated statement of changes in equity for the year then ended, together with the comparative figures for the corresponding previous period as follows:

### Consolidated income statement

	<i>Notes</i>	<b>2006</b> <b>RMB'000</b>	<b>2005</b> <b>RMB'000</b>
<b>Turnover</b>	2	<b>163,752</b>	118,208
Cost of sales		<u>(122,070)</u>	<u>(97,241)</u>
<b>Gross profit</b>		<b>41,682</b>	20,967
Other operating income		<b>12,783</b>	11,156
Distribution costs and selling expenses		<b>(12,533)</b>	(11,493)
General and administrative expenses		<b>(61,275)</b>	(45,459)
Finance costs		<b>(4,527)</b>	(4,427)
Share of results of associates		<u><b>1,783</b></u>	<u>1,968</u>
<b>Loss before tax</b>	3	<b>(22,087)</b>	(27,288)
Income tax expense	4	<u><b>(3,002)</b></u>	<u>(400)</u>
<b>Loss for the year</b>		<u><b>(25,089)</b></u>	<u>(27,688)</u>
Attributable to:			
– Equity holders of the Company		<b>(21,017)</b>	(28,348)
– Minority interests		<u><b>(4,072)</b></u>	<u>660</u>
		<u><b>(25,089)</b></u>	<u>(27,688)</u>
<b>Dividends</b>	5	<u><b>–</b></u>	<u><b>–</b></u>
<b>Loss per share</b>	6		
– Basic		<u><b>RMB(0.062)</b></u>	<u>RMB(0.083)</u>

## Consolidated balance sheet

	<i>Notes</i>	<b>2006</b> <b>RMB'000</b>	<b>2005</b> <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>13,148</b>	7,519
Intangible assets		<b>9,136</b>	6,138
Goodwill		<b>5,485</b>	492
Interests in associates		<b>6,313</b>	7,580
Long-term prepayments		<b>–</b>	1,086
Other non-current assets		<b>351</b>	373
		<b>34,433</b>	23,188
<b>Current assets</b>			
Inventories		<b>2,180</b>	2,196
Contract work in progress		<b>11,253</b>	15,667
Available-for-sale investments		<b>120</b>	–
Trade receivables	7	<b>44,052</b>	66,171
Prepayments and other receivables		<b>114,251</b>	90,157
Amounts due from associates		<b>1,249</b>	1,733
Pledged bank deposits		<b>12,000</b>	19,848
Bank balances and cash		<b>19,546</b>	55,955
		<b>204,651</b>	251,727
<b>Current liabilities</b>			
Trade and other payables	8	<b>29,511</b>	55,816
Receipt in advance from customers		<b>9,200</b>	10,773
Amount due to a director		<b>3,854</b>	–
Amounts due to minority shareholders		<b>1,092</b>	–
Current tax liabilities		<b>2,674</b>	1,589
Short-term borrowings		<b>76,800</b>	74,000
		<b>123,131</b>	142,178
<b>Net current assets</b>		<b>81,520</b>	109,549
<b>NET ASSETS</b>		<b>115,953</b>	132,737
<b>Capital and reserves</b>			
Paid in capital		<b>33,958</b>	33,958
Reserves		<b>66,206</b>	87,223
Equity attributable to the equity holders of the Company		<b>100,164</b>	121,181
Minority interests		<b>15,789</b>	11,556
<b>TOTAL EQUITY</b>		<b>115,953</b>	132,737

## Consolidated statement of changes in equity

	Attributable to equity holders of the Company							
	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare reserve	Retained earnings	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	33,958	71,988	6,009	3,657	33,917	149,529	9,768	159,297
Loss for the year	–	–	–	–	(28,348)	(28,348)	660	(27,688)
Capital contributions from minority shareholders	–	–	–	–	–	–	2,207	2,207
Dividend paid to minority shareholders	–	–	–	–	–	–	(842)	(842)
Release of loss of subsidiaries upon partial disposal of the subsidiaries	–	–	–	–	–	–	(237)	(237)
Appropriation	–	–	901	–	(901)	–	–	–
At 31 December 2005 and 1 January 2006	33,958	71,988	6,910	3,657	4,668	121,181	11,556	132,737
Transfer	–	–	3,657	(3,657)	–	–	–	–
Loss for the year	–	–	–	–	(21,017)	(21,017)	(4,072)	(25,089)
Capital contributions from minority shareholders	–	–	–	–	–	–	8,305	8,305
<b>At 31 December 2006</b>	<b>33,958</b>	<b>71,988</b>	<b>10,567</b>	<b>–</b>	<b>(16,349)</b>	<b>100,164</b>	<b>15,789</b>	<b>115,953</b>

*Notes:*

## **1. BASIS OF PRESENTATION**

The Company is incorporated in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its shares are listed on GEM of the Stock Exchange.

The consolidated financial information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, and based on International Financial Reporting Standards issued by the International Accounting Standards Board.

## **2. TURNOVER AND SEGMENT INFORMATION**

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added service, net of value-added tax ("VAT"), business tax, rebates and discounts of during the year, and after eliminating intra-Group transactions.

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

### **(a) Primary reporting segment – business segment**

The Group comprises the following main business segments:

- (i) Provision of telecommunication solutions;
- (ii) Trading of hardware and computer software; and
- (iii) Provision of telecommunication value-added services.

	Provision of telecommunication solutions		Trading of hardware and computer software		Telecommunication value-added services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	<u>20,118</u>	<u>36,185</u>	<u>91,694</u>	<u>59,925</u>	<u>51,940</u>	<u>22,098</u>	<u>163,752</u>	<u>118,208</u>
Segment results	<u>11,019</u>	<u>3,499</u>	<u>(1,132)</u>	<u>(5,967)</u>	<u>19,262</u>	<u>11,942</u>	<u>29,149</u>	<u>9,474</u>
Unallocated revenue							12,197	10,899
Unallocated expenses							(61,275)	(45,459)
Share of results of associates	-	-	2,062	-	(279)	1,968	1,783	1,968
Finance costs							(4,527)	(4,427)
Interest income							586	257
Loss before tax							(22,087)	(27,288)
Income tax expense							(3,002)	(400)
Loss for the year							<u>(25,089)</u>	<u>(27,688)</u>
Segment assets	<u>21,607</u>	<u>55,962</u>	<u>24,301</u>	<u>36,956</u>	<u>51,848</u>	<u>9,671</u>	<u>97,756</u>	<u>102,589</u>
Interests in associates	5,594	-	-	-	719	7,580	6,313	7,580
Unallocated assets							135,015	164,746
Total assets							<u>239,084</u>	<u>274,915</u>
Segment liabilities	<u>523</u>	<u>19,689</u>	<u>10,044</u>	<u>34,157</u>	<u>21,097</u>	<u>2,569</u>	<u>31,664</u>	<u>56,415</u>
Unallocated liabilities							91,467	85,763
Total liabilities							<u>123,131</u>	<u>142,178</u>
Other segment information:								
Capital expenditures	4,950	1,737	64	-	2,633	435	7,647	2,172
Depreciation and amortisation	6,953	7,379	56	-	2,195	633	9,204	8,012
Impairment loss on loans and receivables	2,112	821	-	1,507	290	2,980	2,402	5,308
Unallocated impairment loss on loans and receivables							11,395	4,441
Total impairment loss on loans and receivables							<u>13,797</u>	<u>9,749</u>
Write-down of inventories to net realisable value	-	-	-	3,629	-	-	-	3,629
(Loss) gain on disposal of property, plant and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>2</u>

**(b) Secondary reporting segment – geographical segment**

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

### 3. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2006 RMB'000	2005 RMB'000
Amortisation of intangible assets	4,086	5,612
Depreciation of property, plant and equipment	5,118	2,400
Interest expenses on bank borrowings	<u>4,178</u>	<u>4,294</u>

### 4. INCOME TAX EXPENSE

	2006 RMB'000	2005 RMB'000
Current tax expense		
PRC Enterprises Income Taxes ("EIT") on profit for the year	3,002	1,389
Adjustment for overprovision in prior years	<u>—</u>	<u>(989)</u>
	<u>3,002</u>	<u>400</u>

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2005: 15%) as they were classified as Advanced and New Technology Enterprises. The remaining subsidiaries were taxed at the statutory rate of 33% (2005: 33%) of their respective assessable income for the year ended 31 December 2006.

### 5. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2006, nor has any dividend been proposed since the balance sheet date (2005: Nil).

### 6. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year ended 31 December 2006 of RMB21,017,000 (2005: RMB28,348,000) by the number of 339,577,000 (2005: 339,577,000) shares in issue during the year.

No diluted loss per share has been presented for both years as there were no potential ordinary shares outstanding during the year.



## 7. TRADE RECEIVABLES

Trade receivables consisted of:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade receivables	55,245	74,962
Less: Accumulated impairment	<u>(11,193)</u>	<u>(8,791)</u>
	<u><b>44,052</b></u>	<u><b>66,171</b></u>

Aging analysis of the trade receivables net of impairment losses as at 31 December 2006 is as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Less than one year	43,647	51,721
Over one year but less than two years	<u>405</u>	<u>14,450</u>
	<u><b>44,052</b></u>	<u><b>66,171</b></u>

There were no specific credit terms granted to the customers.

## 8. TRADE AND OTHER PAYABLES

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade payables	3,598	45,643
Other payables and accruals	<u>25,913</u>	<u>10,173</u>
	<u><b>29,511</b></u>	<u><b>55,816</b></u>

Aging analysis of the trade payables is as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Less than one year	2,941	41,761
Over one year but less than two years	657	3,690
Over two years but less than three years	–	168
Over three years	<u>–</u>	<u>24</u>
	<u><b>3,598</b></u>	<u><b>45,643</b></u>

## **FINAL DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

## **CLOSURE OF H SHARE REGISTER**

The H share register of shareholders of the Company will be closed from 23 April 2007 to 22 May 2007 (both days inclusive), during which no transfer of H shares will be effected.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS**

#### **1. Review of operating results for the year**

For the year ended 31 December 2006, the audited consolidated turnover of the Group was approximately RMB163,752,000, representing an increase of approximately RMB45,544,000, or approximately 38.53% as compared with that of 2005.

The audited net loss attributable to equity holders of the Company for the year ended 31 December 2006 was approximately RMB21,017,000, comparing to the audited net loss attributable to equity holders of the Company for the year ended 31 December 2005 of approximately RMB28,348,000.

The main reasons for the results for the year are:

- (1) gross margin maintained at relatively low level due to continuous sheer market competition faced by the Group; and
- (2) increased investment in research and development for telecommunication value-added services, which will be the driver for the Group's future growth.

#### **2. Product and business development**

During the year, Company's direction to pursue value-added service business had been very clear. In the area of value-added service, the Group mainly completed the connection with various operators. The traditional value-added products such as voice messages, secretary service and WAP, etc., had steady development during the year. To cope with new market demands, the Company kept on upgrading the product content through continuous enhancement of product functionality. Meanwhile, several new lines of business had already been put into operation. For instance, the Quan Quan products offer video telephone and video on demand service for users. In the area of industry value-added service, the industrial and commercial online service, which was designed for the industrial and commercial enterprises, ran in Zhejiang formally and will be promoted to all parts of China. In the area of fixed line telephone value-added service, the Company mainly operated the fixed line telephone missing call notification products and commences to develop towards personal communication assistant progressively, with an aim to promote the comprehensive value-added service products based on fixed line telephone. In the area of mobile phones, the Kai Gi Tong related products entered the operation stage.

Positioning service is one of the operating products in the area of industry value-added service and is also one of the main business lines of the Company. The position management system for inner-river steamers has commenced operation. The Group also provided direction consultation and peripheral information inquiry service for China Telecom's Number Bai Shi Tong, which had laid the foundation for the coming year's operation. In the area of operation support system, the development of enterprise information management system for Unicom was basically completed and on-site trial run was commenced. At the same time, the Group won the second stage enterprise informationalised contracts of Unicom in seven provinces.

### **3. Employees information**

As at 31 December 2006, the Group had approximately 350 (2005: 350) employees in total. The total staff costs of the Group for the year amounted to approximately RMB11,697,000 (2005: RMB13,660,000).

The Group's human resources management strategy is formulated in accordance with the Group's development strategy and long term goal. Being an important constituent making up the Group's collective development strategy, human resources strategy gives the fundamental support and impulsive effect to make the Group's collective strategy to be realized. The entire infrastructure of human resources management is built up in accordance with the Group's integral strategy and vision. 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. By conducting training needs assessment, the Group invited professional consulting firms to design training system and deliver courses. 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 could have more better development only if employees were upgraded substantially.

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

## REVIEW OF FINANCIAL POSITIONS

- The Group maintained creditable financial conditions. For the year ended 31 December 2006, the Group was mainly financed by proceeds generated from daily operations and bank borrowings.
- As at 31 December 2006, the Group's cash and bank deposits balances amounted to approximately RMB31,546,000 (2005: RMB75,803,000).
- As at 31 December 2006, the Group had unsecured short-term borrowings amounted to RMB76,800,000 (2005: RMB74,000,000), at interest rates ranging from 5.0% to 7.0% (2005: 4.6% to 6.7%).
- As at 31 December 2006, the Group had a total asset value of approximately RMB239,084,000 (2005: RMB274,915,000).
- As at 31 December 2006, the Group had current liabilities of approximately RMB123,131,000 (2005: RMB142,178,000).
- As at 31 December 2006, the Group had shareholders' equity of approximately RMB100,164,000 (2005: RMB121,181,000).
- As at 31 December 2006, the Group had minority interests of approximately RMB15,789,000 (2005: RMB11,556,000).
- As at 31 December 2006, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 51.50% (2005: 51.72%).
- As at 31 December 2006, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 60.17% (2004: 56.48%).
- As all of the Group's account payables of purchases and account receivables of sales are in Reminbi, there is no foreign exchange risk.
- As at 31 December 2006, bank deposits amounting to RMB12,000,000 (2005: RMB19,848,000) were pledged to secure general banking facilities granted to the Group.
- 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 (2005: Nil).

## **FUTURE PROSPECTS**

### **1. Orders and sales contracts in hand**

The orders on hand of the Group mainly include the capacity expansion projects for the management support system in various provinces and e-Government projects. The Company, being the second stage selected supplier of Unicom's management support system, is carrying out the second stage pilot project in Chongqing Unicom, with the focal points at enterprise gateway and mobile gateway. Regarding positioning service, the Company continues to install positioning devices in the inner-river steamers. The Number Bai Shi Tong direction consultation and peripheral information inquiry of China Telecom has entered the test run stage and will begin to put into formal operation. The intensively promoted fixed line telephone value-added services and the personal communication assistant will become a new growth driver. The growth of users of industrial and commercial information service is decent. The user population will grow at tremendous speed after the national wise promotion. The business with Unicom will continue to develop in other provinces and the user number is expected to increase at an expeditious rate.

### **2. Prospects of new business and new products**

In the area of value-added services, the Group will leverage on the base of original products, such as short messages, voice messages, secretary services and WAP, etc, to developing new products according to the demand of the market. In the area of education, the Group will continue to launch correlating products in information service by cooperating with related websites. In the area of cooperation with China Telecom, products like enterprise alliance, short message business card, map business card, etc. will be heavily promoted and rapidly developed in the coming year. The development of enterprise commercial information for enterprise users is underway. The intensively promoted fixed line telephone value-added services and the personal communication assistant will become a new growth driver. In the area of application service, the management support system is at present in the stage of internal testing for new version of J2EE, hoping to improve its function continuously.

## **AUDIT COMMITTEE**

The annual results of the Group for the year ended 31 December 2006 have been reviewed and approved 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 year ended 31 December 2006.

## CORPORATE GOVERNANCE

During the year ended 31 December 2006, the Company complied, in all material aspects, with all the code provisions set out in the Code on Corporate Practices as contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

On behalf of Board  
**Chen Ping**  
Chairman

Hangzhou, the PRC, 30 March 2007

*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.*

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