



ZDL D
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



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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 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 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 RMB46,322,000 for the six months ended 30 June 2006, representing an approximately 16.80% decrease as compared with the turnover for the corresponding period in 2005.
- Accomplished a net profit of approximately RMB174,000 for the six months ended 30 June 2006, representing an approximately 95.96% decrease as compared with the net profit for the corresponding period in 2005.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

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 2006.

2006 INTERIM RESULTS

For the six months ended 30 June 2006, the Group recorded an unaudited turnover of approximately RMB46,322,000 (2005: RMB55,678,000), representing a decrease of approximately RMB9,356,000 ,or approximately 16.80% , as compared with the turnover of the same period in 2005.

For the six months ended 30 June 2006, the Group recorded an unaudited net profit of approximately RMB174,000 (2005: RMB3,944,000), representing a decrease of approximately RMB4,134,000, or approximately 95.96%, as compared with the operating results of the same period in 2005.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).



CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2006 together with the unaudited figures for the corresponding period in 2005 are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2006

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	3	46,322	55,678	25,322	34,951
Cost of sales	3	(32,193)	(36,207)	(20,058)	(26,868)
Gross profit		14,129	19,471	5,264	8,083
Distribution costs		(4,377)	(5,270)	(2,108)	(2,699)
Administrative expenses		(11,068)	(11,024)	(3,340)	(5,387)
Value-added tax refunds		2,007	3,785	1,204	3,785
Other operating income, net		166	350	63	242
Profit from operations	4	857	7,312	1,083	4,024
Finance costs, net		(1,974)	(2,333)	(959)	(1,317)
Share of profits/(losses) of associates		2,788	(160)	192	(17)
Profit before tax		1,671	4,819	316	2,690
Tax expense	5	(766)	(693)	(754)	(118)
Profit/(loss) for the period		905	4,126	(438)	2,572
Attributable to :					
– Equity holders of the Company		174	4,308	(668)	2,306
– Minority interests		731	(182)	230	266
		905	4,126	(438)	2,572
Earnings/(loss) per share – basic	8	RMB0.001	RMB0.013	RMB(0.002)	RMB0.007

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Notes	(unaudited) 30 June 2006 RMB'000	(audited) 31 December 2005 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		7,457	7,519
Intangible assets		24,521	6,630
Interests in associates		8,208	7,580
Long-term prepayments		1,845	1,459
Total non-current assets		42,031	23,188
Current assets			
Inventories		2,563	2,196
Contract work in progress		37,603	15,667
Trade and notes receivables	9	60,545	66,171
Prepayments and other receivables		99,081	90,157
Amounts due from associates		1,895	1,733
Pledged bank deposits	10	14,622	19,848
Bank balances and cash		14,863	55,955
Total current assets		231,172	251,727
Total assets		273,203	274,915
Liabilities			
Current liabilities			
Trade and notes payables	11	29,652	45,643
Receipt in advance from customers		3,956	10,773
Other payables and accruals		1,252	10,173
Current tax liabilities		1,798	1,589
Short-term borrowings		93,750	74,000
Total current liabilities		130,408	142,178
TOTAL NET ASSETS		142,795	132,737
Capital and reserves attributable to equity holders of the Company			
Share capital		33,958	33,958
Share premium		71,988	71,988
Statutory surplus reserve		6,910	6,910
Statutory public welfare reserve		3,657	3,657
Retained earnings		4,842	4,668
Minority interests		21,440	11,556
TOTAL EQUITY		142,795	132,737



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	(unaudited) Six months ended 30 June 2006 RMB'000	(unaudited) 2005 RMB'000
Net cash (outflow)/ inflow from operating activities	(45,082)	9,761
Net cash (outflow)/inflow from investing activities	(15,760)	6,646
Net cash inflow/(outflow) from financing activities	19,750	(23,500)
Net decrease in cash and cash equivalents	(41,092)	(7,093)
Cash and cash equivalents, beginning of period	55,955	39,804
Cash and cash equivalents, end of period	14,863	32,711

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	(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 2005	33,958	71,988	6,009	3,657	33,917	149,529	9,768	159,297
Net profit	-	-	-	-	2,002	2,002	(448)	1,554
Balance as of 31 March 2005	33,958	71,988	6,009	3,657	35,919	151,531	9,320	160,851
Net profit	-	-	-	-	2,306	2,306	266	2,572
Balance as of 30 June 2005	<u>33,958</u>	<u>71,988</u>	<u>6,009</u>	<u>3,657</u>	<u>38,225</u>	<u>153,837</u>	<u>9,586</u>	<u>163,423</u>
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 interests	-	-	-	-	-	-	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>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

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 2005.

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
- other related service which represents the provision of telecommunication value-added services.

	(unaudited)							
	Provision of telecommunications solutions		Trading of hardware and computer software		Other related service		Consolidated	
	For the six months ended 30 June							
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Segment turnover	<u>10,500</u>	<u>35,592</u>	<u>20,322</u>	<u>9,942</u>	<u>15,500</u>	<u>10,144</u>	<u>46,322</u>	<u>55,678</u>
Segment results	<u>2,800</u>	<u>11,598</u>	<u>2,149</u>	<u>747</u>	<u>9,180</u>	<u>7,126</u>	<u>14,129</u>	<u>19,471</u>
Unallocated revenue							<u>2,173</u>	<u>4,135</u>
Unallocated expenses							<u>(15,445)</u>	<u>(16,294)</u>
Profits from operations							<u>857</u>	<u>7,312</u>
Finance costs, net							<u>(1,974)</u>	<u>(2,333)</u>
Share of profits/(losses) of associates							<u>2,788</u>	<u>(160)</u>
Profit before tax							<u>1,671</u>	<u>4,819</u>
Tax expense							<u>(766)</u>	<u>(693)</u>
Profit for the period							<u>905</u>	<u>4,126</u>
Other segment information :								
Capital expenditures	<u>300</u>	<u>1,139</u>	<u>-</u>	<u>442</u>	<u>1,150</u>	<u>744</u>	<u>1,450</u>	<u>2,325</u>
Depreciation and amortisation	<u>4,100</u>	<u>1,470</u>	<u>-</u>	<u>572</u>	<u>750</u>	<u>959</u>	<u>4,850</u>	<u>3,001</u>
	(unaudited) 2006 As at 30 June 2006 RMB'000	(audited) 2005 As at 31 December 2005 RMB'000	(unaudited) 2006 As at 30 June 2006 RMB'000	(audited) 2005 As at 31 December 2005 RMB'000	(unaudited) 2006 As at 30 June 2006 RMB'000	(audited) 2005 As at 31 December 2005 RMB'000	(unaudited) 2006 As at 30 June 2006 RMB'000	(audited) 2005 As at 31 December 2005 RMB'000
Segment assets	<u>27,700</u>	<u>55,962</u>	<u>23,200</u>	<u>36,956</u>	<u>25,593</u>	<u>9,671</u>	<u>76,493</u>	<u>102,589</u>
Interests in associates					<u>8,208</u>	<u>7,580</u>	<u>8,208</u>	<u>7,580</u>
Unallocated assets							<u>188,502</u>	<u>164,746</u>
Total assets							<u>273,203</u>	<u>274,915</u>
Segment liabilities	<u>10,580</u>	<u>19,689</u>	<u>21,328</u>	<u>34,157</u>	<u>8,100</u>	<u>2,569</u>	<u>40,008</u>	<u>56,415</u>
Unallocated liabilities							<u>90,400</u>	<u>85,763</u>
Total liabilities							<u>130,408</u>	<u>142,178</u>



(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 FROM OPERATIONS

Profit from operations has been arrived at after charging:

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2006 RMB'000	2005 <i>RMB'000</i>	2006 RMB'000	2005 <i>RMB'000</i>
Depreciation and amortisation	4,850	3,001	2,480	1,505
Interest expenses	2,150	2,270	1,090	1,017

5. TAX EXPENSE

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2006 RMB'000	2005 <i>RMB'000</i>	2006 RMB'000	2005 <i>RMB'000</i>
The charges comprises:				
PRC income tax	766	693	754	118

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 2006 (2005: 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 2006 and 2005.

8. EARNING PER SHARE

Earnings per share have been computed by dividing net profit for the six months and net loss for the three months ended 30 June 2006 of approximately RMB174,000 and approximately RMB668,000 (2005: net profit of approximately RMB4,308,000 and approximately RMB2,306,000) respectively by 339,577,000 (2005: 339,577,000) shares in issue.

No diluted earnings per share were presented for the six months and three months ended 30 June 2006 and 2005 as there was no potential dilutive securities in existence during the relevant periods.

9. TRADE AND NOTES RECEIVABLES

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

Aging of trade and notes receivables is as follows:

	(unaudited) 30 June 2006 RMB'000	(audited) 31 December 2005 RMB'000
Aging:		
– not exceeding one year	53,115	51,721
– more than one year but not exceeding two years	8,950	15,731
– more than two years but not exceeding three years	3,450	3,360
– more than three years	3,580	4,150
	<u>69,095</u>	<u>74,962</u>
Provision for bad debts	(8,550)	(8,791)
	<u><u>60,545</u></u>	<u><u>66,171</u></u>

10. PLEDGED BANK DEPOSITS

The pledged bank deposits were pledged as security for the Group's notes payable facilities.

11. TRADE AND NOTES PAYABLES

Aging of trade and notes payable are as follows:

	(unaudited) 30 June 2006 RMB'000	(audited) 31 December 2005 RMB'000
Aging:		
– not exceeding one year	26,734	41,761
– more than one year but not exceeding two years	2,650	3,690
– more than two years	268	192
	<u>29,652</u>	<u>45,643</u>

12. CONTINGENT LIABILITIES

As at 30 June 2006, the Group has no material contingent liabilities (31 December 2005: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. *Review of operating results for the period*

For the six months ended 30 June 2006, the unaudited turnover is approximately RMB46,322,000, representing a decrease of approximately RMB9,356,000, or approximately 16.80% decrease in turnover as compared with that of the same period in 2005. For the three months ended 30 June 2006, the unaudited turnover is approximately RMB25,322,000, representing a decrease of approximately RMB9,629,000, or approximately 27.55% decrease in turnover as compared with that of the same period in 2005.

The unaudited net profit of the Group for the six months ended 30 June 2006 and the net loss for the three months ended 30 June 2006 is approximately RMB174,000 and RMB668,000 respectively.

2. *Product development*

Regarding value-added service business, the Group continued to intensify its product development and operation promotion of existing products like SMS, voice message, secretarial station, WAP, etc. The Group continued to make more effort in industrial and commercial enterprise information services products, and launched out, in the China Telecom side, SMS name card, location-related information service products as well as provided road map guide for China Telecommunication 114. On the China Mobile side, the Group launched the mobile missing call notification product and system trial run was underway. With a view to integrating operation across provinces, the Group was developing cross-regional management platform so as to unify and facilitate the operation and management trans-provincial. The Group was also developing the system of cardiovascular terminal and service centre, which can provide out-patient electronic cardiovascular signal inspection and health consultancy services, further that 24 hours service of Holter analysis can be served to the clients.

In the period, in the field of application service sector, the Group has basically completed the development and internal assessment of management support system in Java version. Continuing effort was put on product development of the enterprise gateway unification for China Unicom enterprises.

3. *Marketing and business development*

During the period, the Group focused its product development of application service business which resulted in that the products of enterprise information platform, office automation platform were both mounted on line in seven provinces of China Unicom. Also the continual development in e-government products was attained in procuratorate, medicine authority, public hygiene bureau, etc.

During the period, the connections of the Group's value-added service business with many provinces have been sustained and put on line. At the same time, value-added business in industries such as education, industrial and commercial information, harbour ship positioning business, etc has gained progress. Furthermore, the operations of Cornucopia Alliance, which being geared to the consumer public; and the notification of missing calls for fixed line telephone has been started. The provision of number-114 integrated mode regarding positioning service offering for medium/small enterprises positions was kicked off.

4. *Strategic investment and business collaborations of the Group*

During the report period, the Group entered into a contract for acquisition of 78% equity interest in Zhejiang Tianxin Science and Technology Development Company Limited. At the same time, the Group and Zheda Insigma Group Co., Ltd. jointly invested in establishing the Insigma Inhealth Technology Co., Ltd. to provide out-patient electronic cardiovascular signal inspection and consultancy services.

5. *Employees information*

As at 30 June 2006, the Group had 381 employees in total. The total staff costs of the Group for the period amounted to approximately RMB7,500,000 (2005: RMB2,950,000).

The Group implemented the target annual compensation system, an integrated system mingled with respect to department and staff performances and remuneration of the individual staff. This compensation system was resulted from the performance appraisal ratings. Through the combination of performance appraisal and target annual salary, the Group managed effectively over performance and results. At the same time, the Group could put forward effective incentive schemes for the staff. The direct linkage between staff income, individual performance target and performance target of the respective department assured efficiently the accomplishment of the target of the Group. The Group believed that the said target annual compensation system could provide substantial protection to ensure the Group's business result. The Group did not issue any share options nor had any bonus plan.

The Group did envisaged the training agenda on staff's quality and skills. The Group could understand proper training needs and derived manpower training plans by means of a cross-match between staff positions and capacities. The Group has invited sought-after professional consulting companies to design training system and deliver courses. These were done to satisfy the demand for commitment in the aspects of company growth and staff career planning. To this end, a human resources hierarchy was synthesized in the Group.

FINANCIAL REVIEW

- The Group has maintained sound financial conditions. For the six months ended 30 June 2006, the Group was mainly financed by funds generated from operations and bank loans.
- As at 30 June 2006, the Group's cash and bank balances amounted to approximately RMB29,485,000 (31 December 2005: RMB75,803,000).
- As at 30 June 2006, the Group had outstanding short term bank borrowings amounted to RMB93,750,000 (31 December 2005: RMB74,000,000).
- As at 30 June 2006, the Group had a total asset value of approximately RMB273,203,000 (31 December 2005: RMB274,915,000).
- As at 30 June 2006, the Group had current liabilities of approximately RMB130,408,000 (31 December 2005: RMB142,178,000).
- As at 30 June 2006, the Group had shareholders' equity of approximately RMB121,335,000 (31 December 2005: RMB121,181,000).



- As at 30 June 2006, the Group had minority interests of approximately RMB21,440,000 (31 December 2005: RMB11,556,000).
- As at 30 June 2006, the Group had a gearing ratio of approximately 47.73% (31 December 2005: 51.72%).
- As at 30 June 2006, the Group had a net current asset ratio of approximately 58.74% (31 December 2005: 56.41%).
- As at 30 June 2006, bank deposits amounting to approximately RMB14,622,000 (as at 31 December 2005: RMB19,848,000) 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.
- The Group had no contingent liabilities as at 30 June 2006 (as at 31 December 2005: Nil).

FUTURE PROSPECTS

1. Orders in hand/Sales contract status

The Group's orders in hand include the management support system capacity enlargement projects as well as the e-government projects in a number of provinces. Being one of the second phase entrepreneurial firms for management support system selected by China Unicom, the Company is now engaged in the testing point item (second phase) located in Chongqing Unicom. Emphases are put on the enterprises gateway and mobile gateway. Whereas family-school link has been implemented in 150 schools and the implementation is under continuation. On the other hand, for the positioning business, the installation of the inner river ship positioning facilities was continued. Promotions on fixed line phone value-added business has already commenced. Industrial and commercial information service project has been implemented, and has achieved a record of user groups, which bears a remarkable trend of growth.

2. Prospects of new business and new products

Regarding value-added services business, the Group will continue to intensify its product development and operation promotion of existing products like SMS, voice message, secretarial station, WAP, etc. In the education side, co-operation with related web sites in launching related information service product will carry on; whereas more products of knowledgeable-expert correlated integrated positioning service system will be launched. On the other hand, product development concerning medical and health will be conducted at a faster pace; faster development is geared to Holter mobile terminal. Also product development for missing calls notification for mobile phones will be enforced with competency.

Concerning aspect of application service, the Group will develop new function embedded in entrepreneurial informationised platform products, push ahead testing of Java version available for entrepreneurial informationised platform. Also, development will be continued in products correlating to telecommunication business operators' decision and warning alert systems.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 June 2006, 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>Directors</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.72%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

For the six months ended 30 June 2006, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2006, 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 2006, 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 2006, 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 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%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.86%
Shi Chun Hua	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 2006 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 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2006, 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 2006.

On behalf of the Board

Chen Ping
Chairman

9 August 2006, Hangzhou, the PRC