



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 2008

2008

* for identification purpose only

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 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 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 RMB63,686,000 for the six months ended 30 June 2008, representing an approximately 2.78% decrease as compared with the turnover for the corresponding period in 2007.
- Incurred a net loss of approximately RMB1,197,000 for the six months ended 30 June 2008, as compared with the net loss for the corresponding period in 2007 of approximately RMB7,600,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

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 2008.

2008 INTERIM RESULTS

For the six months ended 30 June 2008, the Group recorded an unaudited turnover of approximately RMB63,686,000 (2007: RMB65,504,000), representing a decrease of approximately RMB1,818,000, or approximately 2.78%, as compared with the turnover of the same period in 2007.

For the six months ended 30 June 2008, the Group recorded an unaudited net loss of approximately RMB1,197,000 (2007: net loss of RMB7,600,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2008 together with the unaudited figures for the corresponding period in 2007 are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2008

	Notes	(unaudited) Six months ended 30 June 2008		(unaudited) Three months ended 30 June 2008	
		RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Turnover	3	63,686	65,504	27,074	34,108
Cost of sales		(40,464)	(51,171)	(17,315)	(30,982)
Gross profit		23,222	14,333	9,759	3,126
Other operating expenses		(2,310)	(520)	(2,093)	(702)
Distribution and selling expenses		(4,829)	(5,833)	(2,652)	(2,795)
General and administrative expenses		(22,638)	(17,501)	(8,906)	(6,544)
Finance costs, net		63	(1,867)	49	(640)
Gain on disposal of a subsidiary		5,051	–	5,051	–
Share of losses of associates		(33)	(163)	(33)	(14)
Subsidy income		401	2,472	279	2,275
(Loss) profit before taxation	4	(1,073)	(9,079)	1,454	(5,294)
Taxation	5	(843)	(160)	(584)	(156)
(Loss) profit for the period		(1,916)	(9,239)	870	(5,450)
Attributable to:					
– Equity holders of the Company		(1,197)	(7,600)	844	(4,845)
– Minority interests		(719)	(1,639)	26	(605)
		(1,916)	(9,239)	870	(5,450)
(Loss) earnings per share – basic	8	RMB(0.004)	RMB(0.022)	RMB0.003	RMB(0.014)

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	(unaudited) 30 June 2008 RMB'000	(audited) 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment		6,981	10,133
Intangible assets		3,578	6,799
Goodwill		–	3,484
Interests in associates		695	2,221
Other non-current assets		363	328
		<u>11,617</u>	<u>22,965</u>
Current assets			
Inventories		174	505
Contract work in progress		857	1,431
Trade receivables	9	16,993	35,185
Prepayments and other receivables		91,098	104,467
Amounts due from associates		–	1,288
Bank balances and cash		14,623	13,955
		<u>123,745</u>	<u>156,831</u>
Current liabilities			
Trade and other payables	10	34,045	71,834
Receipt in advance from customers		919	1,204
Amount due to a director		–	3,098
Current tax liabilities		823	2,432
		<u>35,787</u>	<u>78,568</u>
Net current assets		<u>87,958</u>	<u>78,263</u>
NET ASSETS		<u>99,575</u>	<u>101,228</u>
Capital and reserves			
Paid in capital		33,958	33,958
Reserves		52,153	53,350
Equity attributable to equity holders of the Company		<u>86,111</u>	<u>87,308</u>
Minority interests		13,464	13,920
TOTAL EQUITY		<u>99,575</u>	<u>101,228</u>

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	(unaudited) Six months ended 30 June 2008 RMB'000	(unaudited) 2007 RMB'000
Net cash inflow from operating activities	1,094	34,391
Net cash (outflow) inflow from investing activities	(426)	10,303
Net cash outflow from financing activities	—	(31,991)
Net increase in cash and cash equivalents	668	12,703
Cash and cash equivalents at beginning of period	13,955	19,546
Cash and cash equivalents at end of period	14,623	32,249

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	(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 2007	33,958	71,988	10,567	-	(16,349)	100,164	15,789	115,953
Net loss	-	-	-	-	(2,755)	(2,755)	(1,034)	(3,789)
Balance as of 31 March 2007	33,958	71,988	10,567	-	(19,104)	97,409	14,755	112,164
Net loss	-	-	-	-	(4,845)	(4,845)	(605)	(5,450)
Disposal of subsidiaries	-	-	-	-	-	-	(219)	(219)
Balance as of 30 June 2007	<u>33,958</u>	<u>71,988</u>	<u>10,567</u>	<u>-</u>	<u>(23,949)</u>	<u>92,564</u>	<u>13,931</u>	<u>106,495</u>
Balance as of 1 January 2008	33,958	71,988	10,567	-	29,205	87,308	13,920	101,228
Net loss	-	-	-	-	(2,041)	(2,041)	(745)	(2,786)
Balance as of 31 March 2008	33,958	71,988	10,567	-	(31,246)	85,267	13,175	98,422
Net profit	-	-	-	-	844	844	26	870
Disposal of a subsidiary	-	-	-	-	-	-	263	263
Balance as of 30 June 2008	<u>33,958</u>	<u>71,988</u>	<u>10,567</u>	<u>-</u>	<u>(30,402)</u>	<u>86,111</u>	<u>13,464</u>	<u>99,575</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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 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 2007.

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.

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

	Provision of telecommunications solutions		Trading of hardware and computer software		Provision of telecommunication value-added service		Consolidated	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Segment turnover	<u>9,964</u>	<u>16,330</u>	<u>27,177</u>	<u>27,254</u>	<u>26,545</u>	<u>21,920</u>	<u>63,686</u>	<u>65,504</u>
Segment results	<u>3,368</u>	<u>3,860</u>	<u>2,429</u>	<u>2,306</u>	<u>17,425</u>	<u>8,167</u>	<u>23,222</u>	<u>14,333</u>
Unallocated revenue							401	2,472
Unallocated expenses							(29,777)	(23,854)
Finance costs, net							63	(1,867)
Gain on disposal of a subsidiary							5,051	-
Share of losses of associates							(33)	(163)
Loss before tax							(1,073)	(9,079)
Tax expense							(843)	(160)
Loss for the period							<u>(1,916)</u>	<u>(9,239)</u>
Other segment information :								
Capital expenditures	114	504	-	-	312	3,352	426	3,856
Depreciation and amortisation	<u>1,619</u>	<u>3,010</u>	<u>-</u>	<u>-</u>	<u>2,494</u>	<u>2,240</u>	<u>4,113</u>	<u>5,250</u>
	(unaudited) As at 30 June 2008 RMB'000	(audited) As at 31 December 2007 RMB'000	(unaudited) As at 30 June 2008 RMB'000	(audited) As at 31 December 2007 RMB'000	(unaudited) As at 30 June 2008 RMB'000	(audited) As at 31 December 2007 RMB'000	(unaudited) As at 30 June 2008 RMB'000	(audited) As at 31 December 2007 RMB'000
Segment assets	10,987	9,226	9,036	8,720	47,877	71,064	67,900	89,010
Interests in associates	-	57	695	596	-	1,568	695	2,221
Unallocated assets							<u>66,767</u>	<u>88,565</u>
Total assets							<u>135,362</u>	<u>179,796</u>
Segment liabilities	4,081	1,022	7,950	978	6,186	19,983	18,217	21,983
Unallocated liabilities							<u>17,570</u>	<u>56,585</u>
Total liabilities							<u>35,787</u>	<u>78,568</u>

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

(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) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	4,113	5,250	2,260	2,750
Interest expenses	-	1,970	-	848

5. INCOME TAX EXPENSE

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
The charges comprises:				
PRC income tax	843	160	584	156

Pursuant to the PRC Enterprise Income Tax, commencing from 2008, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 25%.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-25% in accordance with respective local tax laws and regulations.

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 2008 (2007: Nil).

7. RESERVES

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 2008 and 2007.

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

8. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing net loss for the six months and net profit for the three months ended 30 June 2008 of approximately RMB1,197,000 and approximately RMB844,000 (2007: net loss of approximately RMB7,600,000 and net loss of approximately RMB4,845,000) respectively by 339,577,000 (2007: 339,577,000) shares in issue.

No diluted earnings per share were presented for the six months and three months ended 30 June 2008 and 2007 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 2008 RMB'000	(audited) 31 December 2007 <i>RMB'000</i>
Trade receivables	29,992	48,184
Less: accumulated impairment losses	(12,999)	(12,999)
	<u>16,993</u>	<u>35,185</u>
Aging analysis of the trade receivables net of impairment losses is as follows:		
less than one year	15,823	34,086
over one year but less than two years	1,170	1,099
	<u>16,993</u>	<u>35,185</u>

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

10. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2008 RMB'000	(audited) 31 December 2007 RMB'000
Trade payables	10,118	2,300
Other payables and accruals	23,927	69,534
	<u>34,045</u>	<u>71,834</u>
Aging analysis of the trade payables is as follows:		
less than one year	9,197	1,847
over one year but less than three years	921	453
	<u>10,118</u>	<u>2,300</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

1. Review of operating results for the period

For the six months ended 30 June 2008, the unaudited turnover is approximately RMB63,686,000, representing a decrease of approximately RMB1,818,000, or approximately 2.78%, as compared with that of the same period in 2007. For the three months ended 30 June 2008, the unaudited turnover is approximately RMB27,074,000, representing a decrease of approximately RMB7,034,000, or approximately 20.62%, as compared with that of the same period in 2007.

The unaudited net loss and net profit of the Group for the six months ended 30 June 2008 and the three months ended 30 June 2008 is approximately RMB1,197,000 and RMB844,000 respectively.

2. Product development

During the period, the Company continued to reinforce its value-added business and achieved satisfactory growth across all lines of its business. More customer resources are secured in respect of the cooperation with China Telecom Number Bai Shi Tong regarding business such as short message business card, map business card and enterprise Bai Shi Tong alliance etc. The Company also conducted research and development on visual display and enterprise TV to provide more efficient and powerful commercial application for enterprises. In respect of application service business, the Company completed further technology upgrade for office coordinating system and optimization of the data processing and data analysis capability of the enterprise information management platform.

3. *Marketing and business development*

During the period, the Company stepped up its sales and marketing effort for value-added service by conducting various marketing campaign and setting up of sales network. The client base of our business such as enterprise Bai Shi Tong alliance and enterprise SMS business card kept increasing and gained positive feedback. The Company continued to deliver good performance in Zhejiang province and adjacent provinces. In the area of application service, the Company continued to account for the biggest share of the information business of China Unicom, China Mobile, China Telecom and China Netcom.

4. *Investment and cooperation*

During the period, the Company continued the strategy of optimizing the allocation of resources and minimising product structure, and the reducing of financial and operating risks. In this connection, the Company disposed of its 78% equity interest in Zhejiang Tianxin Science and Technology Development Company Limited. For details of the transaction, please refer to the Company's announcement issued on 16 June 2008.

5. *Employees information*

As at 30 June 2008, the Group had approximately 290 (2007: 370) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB8,120,000 (2007: RMB7,230,000).

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

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

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

ZHEDA LANDE SCITECH LIMITED

I N T E R I M R E P O R T 2 0 0 8

Financial review

- The Group has maintained sound financial conditions. For the six months ended 30 June 2008, the Group was mainly financed by funds generated from operations.
- As at 30 June 2008, the Group's bank balances cash amounted to approximately RMB14,623,000 (31 December 2007: RMB13,955,000).
- As at 30 June 2008, the Group had no outstanding short term bank borrowings (31 December 2007: Nil).
- As at 30 June 2008, the Group had a total asset value of approximately RMB135,362,000 (31 December 2007: RMB179,796,000).
- As at 30 June 2008, the Group had current liabilities of approximately RMB35,787,000 (31 December 2007: RMB78,568,000).
- As at 30 June 2008, the Group had equity attributable to equity holders of the Company of approximately RMB86,111,000 (31 December 2007: RMB87,308,000).
- As at 30 June 2008, the Group had no material contingent liabilities (31 December 2007: Nil).
- As at 30 June 2008, the Group had minority interests of approximately RMB13,464,000 (31 December 2007: RMB13,920,000).
- As at 30 June 2008, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 26.44% (31 December 2007: 43.70%).
- As at 30 June 2008, the Group had a net current asset ratio (i.e. the ratio of current liabilities to current assets) of approximately 28.92% (31 December 2007: 50.10%).
- 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. *Orders in hand/Sales contract status*

The Group's orders in hand mainly comprise contracts under the application service category such as contracts for multi provincial enterprise information system, management support system and office coordinating system. The Company continued to enter into system maintenance service and technical support contract with telecom operators including China Mobile, China Telecom and Northern Telecom and enter into contracts in relation to the sourcing, installation and maintenance services for system integration projects and system network equipment. For value-added services, the Company has launched various services with China Telecom, China Mobile and China Unicom, such services include fixed line value-added service, personal communication assistant, corporate information, small-amount payment system and on-line cinema etc.

2. *Prospects of new business and new products*

For value-added business, the Group has been focusing on enhancing the performance and content of its products, exploring new sales channels and setting new marketing strategies with an aim to provide innovative service on both content and model in accordance with market need. Apart from increasing investment in online education business, the Group will also seek new business opportunities in entertainment, instant messaging and online community.

To provide 114 service centres in the principal provinces of China with Internet integrated information search service based on the established vertical search platform, so as to bring down the operational difficulty and cost of 114 integrated information service and enrich the contents of the service. Meanwhile, the Company has further refined its online small-amount payment system by cooperating with basic operators in major provinces of China in order to attract more alliances and to become one of the powerful and efficient settlement tools online.

For application service business, the Company continued to provide maintenance and technical support service for the information system of telecom operators.

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

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

Save as disclosed below, as at 30 June 2008, none of the Directors, Supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFC")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

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

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

For the six months ended 30 June 2008, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2008, 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 2008, 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 2008 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
Inigma Technology Co. Ltd.	Beneficial owner	81,802,637 Domestic Shares	24.10%
Guoheng Shengxing Media Science Group Company Limited	Beneficial owner	34,117,800 Domestic Shares	10.05%
Fong For	Beneficial owner	21,735,000 H Shares	6.40%
Shi Chun Hua	Beneficial owner	16,490,280 Domestic Shares	4.86%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.86%

On 23 July 2007, the Company's four shareholders, namely Mr. Shi Chun Hua, Mr. Wang Jin Cheng, Mr. Chen Chun, and Mr. Huo Zhong Hui, had respectively entered into the sale and purchase agreements (the "S&P Agreements") with a subscriber, Shanghai Longtail Investment Management Co., Ltd (the "Subscriber"). Pursuant to the S&P Agreements, the shareholders concerned agreed to sell and the Subscriber agreed to purchase an aggregate of 17,148,638 shares of the Company. The resolution for the transfer was reviewed and approved by the Company in the extraordinary general meeting held on 12 October 2007.

ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

On 23 July 2007, the Company also entered into the capital increase and subscription agreement (the "Subscription Agreement") with the Subscriber. Pursuant to the Subscription Agreement, the Company agreed to (i) increase its registered share capital from RMB33,957,700 to RMB35,654,617; and (ii) allot and issue 16,969,170 shares to the Subscriber at a price of RMB0.37 per share.

For details of the transactions, please refer to the Company's announcement issued on 24 July 2007.

The completion of the transactions and, hence, the change in shareholding structure are subject to the approval of the Ministry of Commerce in the PRC.

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 2008 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 2008.

Code of conduct regarding securities transactions by Directors

During the six months ended 30 June 2008, 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.



ZHEDA LANDE SCITECH LIMITED

INTERIM REPORT 2008

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 2008.

On behalf of the Board

Chen Ping

Chairman

14 August 2008, Hangzhou, the PRC