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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

2010

* for identification purpose only

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

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This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to Zheda Lande Scitech Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

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HIGHLIGHTS

- Achieved a turnover of approximately RMB39,207,000 for the six months ended 30 June 2010, representing an approximately 19.59% decrease as compared with the turnover for the corresponding period in 2009.
- Incurred a net loss of approximately RMB1,020,000 for the six months ended 30 June 2010, as compared with the net loss for the corresponding period in 2009 of approximately RMB1,303,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

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 2010.

2010 INTERIM RESULTS

For the six months ended 30 June 2010, the Group recorded an unaudited turnover of approximately RMB39,207,000 (2009: RMB48,757,000), representing a decrease of approximately RMB9,550,000, or approximately 19.59%, as compared with the turnover of the same period in 2009.

For the six months ended 30 June 2010, the Group recorded an unaudited net loss of approximately RMB1,020,000 (2009: RMB1,303,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

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CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2010 together with the unaudited figures for the corresponding period in 2009 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2010

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	39,207	48,757	18,172	18,378
Cost of sales		(26,697)	(27,476)	(11,540)	(7,993)
Gross profit		12,510	21,281	6,632	10,385
Other operating income		313	1,409	2	1,082
Other operating expenses		(31)	(263)	(22)	(20)
Distribution and selling expenses		(884)	(3,178)	(370)	(1,561)
General and administrative expenses		(13,054)	(18,908)	(7,565)	(8,964)
Finance costs, net		36	43	22	19
Share of results of associates		511	-	764	-
(Loss) profit before taxation	4	(599)	384	(537)	941
Taxation	5	(55)	(613)	241	(151)
(Loss) profit for the period		(654)	(229)	(296)	790
Attributable to:					
Equity holders of the Company		(1,020)	(1,303)	(640)	541
Minority interests		366	1,074	344	249
		(654)	(229)	(296)	790
(Loss) earnings per share – Basic	8	RMB(0.003)	RMB(0.004)	RMB(0.002)	RMB0.002

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		(unaudited) 30 June 2010 RMB'000	(audited) 31 December 2009 RMB'000
	<i>Notes</i>		
Non-current assets			
Plant and equipment		4,990	5,569
Intangible assets		2,337	2,487
Goodwill		956	956
Interests in associates		2,360	1,849
		10,643	10,861
Current assets			
Inventories		10,423	1,028
Amounts due from customers for contract work		–	200
Trade receivables	9	20,496	18,038
Prepayments and other receivables		51,726	52,895
Amount due from an associate		–	593
Bank balances and cash		20,080	25,909
		102,725	98,663
Current liabilities			
Amounts due to customers for contract work		–	617
Trade and other payables	10	24,042	20,749
Receipt in advance from customers		2,937	130
Current tax liabilities		1,074	2,059
		28,053	23,555
Net current assets		74,672	75,108
NET ASSETS		85,315	85,969
Capital and reserves			
Paid-in capital		35,655	35,655
Reserves		43,471	44,491
Equity attributable to equity holders of the Company		79,126	80,146
Minority interests		6,189	5,823
TOTAL EQUITY		85,315	85,969

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	(unaudited) Six months ended 30 June 2010 RMB'000	(unaudited) 2009 RMB'000
Net cash outflow from operating activities	(5,576)	(6,322)
Net cash outflow from investing activities	(253)	(2,509)
Net decrease in cash and cash equivalents	(5,829)	(8,831)
Cash and cash equivalents at beginning of period	25,909	25,428
Cash and cash equivalents at end of period	20,080	16,597

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	(unaudited)						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	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
Balance as at 1 January 2009	35,655	76,570	10,567	(36,561)	86,231	12,755	98,986
Net (loss) profit	-	-	-	(1,844)	(1,844)	825	(1,019)
Balance as at 31 March 2009	35,655	76,570	10,567	(38,405)	84,387	13,580	97,967
Net profit	-	-	-	541	541	249	790
Balance as at 30 June 2009	35,655	76,570	10,567	(37,864)	84,928	13,829	98,757
Balance as at 1 January 2010	35,655	76,570	10,567	(42,646)	80,146	5,823	85,969
Net (loss) profit	-	-	-	(380)	(380)	22	(358)
Balance as at 31 March 2010	35,655	76,570	10,567	(43,026)	79,766	5,845	85,611
Net (loss) profit	-	-	-	(640)	(640)	344	(296)
Balance as at 30 June 2010	35,655	76,570	10,567	(43,666)	79,126	6,189	85,315

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 2009.

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.

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	(unaudited)							
	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	For the six months ended 30 June							
	2010	2009	2010	2009	2010	2009	2010	2009
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment turnover	2,311	12,354	21,766	13,501	15,130	22,902	39,207	48,757
Segment results	524	7,493	872	99	11,114	13,689	12,510	21,281
Unallocated revenue							313	1,409
Unallocated expenses							(13,969)	(22,349)
Finance costs, net							36	43
Share of results of associates							511	-
(Loss) profit before taxation							(599)	384
Taxation							(55)	(613)
Loss for the period							(654)	(229)
Other segment information:								
Capital expenditures	15	142	140	-	98	2,367	253	2,509
Depreciation and amortisation	54	118	510	-	354	1,259	918	1,377

	(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
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	2,734	1,314	16,999	21,311	13,374	14,216	33,107	36,841
Unallocated assets							80,261	72,683
Total assets							113,368	109,524
Segment liabilities	1,148	1,219	10,284	8,810	2,998	2,725	14,430	12,754
Unallocated liabilities							13,623	10,801
Total liabilities							28,053	23,555

(ii) Secondary reporting segment – geographical segment

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

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4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	(unaudited) Six months ended 30 June 2010		(unaudited) Three months ended 30 June 2010	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation	918	1,377	462	660

5. TAXATION

	(unaudited) Six months ended 30 June 2010		(unaudited) Three months ended 30 June 2010	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
The charges comprises:				
PRC Enterprise Income Tax ("EIT")	55	613	(241)	151

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% (2009: 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 2010 (2009: 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 2010 and 2009.

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8. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing net loss for the six months and three months ended 30 June 2010 of approximately RMB1,020,000 and approximately RMB640,000 (2009: net loss of approximately RMB1,303,000 and net profit of approximately RMB541,000), respectively, by 356,546,000 (2009: 356,546,000) shares in issue.

No diluted earnings per share were presented for the six months and three months ended 30 June 2010 and 2009 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 2010 RMB'000	(audited) 31 December 2009 RMB'000
Trade receivables	27,615	27,478
Less: impairment losses	(7,119)	(9,440)
	20,496	18,038
Aging analysis of the trade receivables net of impairment losses is as follows:		
less than one year	19,162	17,246
over one year but less than two years	861	475
over two year but less than three years	473	317
	20,496	18,038

10. TRADE AND OTHER PAYABLES

	(unaudited) 30 June 2010 RMB'000	(audited) 31 December 2009 RMB'000
Trade and bill payables	10,305	3,457
Other payables and accruals	13,737	17,292
	24,042	20,749
Aging analysis of the trade payables is as follows:		
less than one year	10,179	3,238
over one year but less than three years	66	159
more than three years	60	60
	10,305	3,457

MANAGEMENT DISCUSSION AND ANALYSIS

Operation review

1. *Review of operating results for the period*

For the six months ended 30 June 2010, the unaudited turnover is approximately RMB39,207,000, representing a decrease of approximately RMB9,550,000, or approximately 19.59%, as compared with that of the same period in 2009. For the three months ended 30 June 2010, the unaudited turnover is approximately RMB18,172,000, representing a decrease of approximately RMB206,000, or approximately 1.12%, as compared with that of the same period in 2009.

The unaudited net loss of the Group for the six months ended 30 June 2010 and the three months ended 30 June 2010 is approximately RMB1,020,000 and RMB640,000, respectively.

2. *Product development*

During the period, the Company had been focusing on the R&D of new products and businesses for the sustainable growth of the Company. The Company had leveraged on its telecommunication edge to further explore information for the development of related products for the Precise Marketing System, so as to provide a precise marketing platform for enterprises. WAP gateway and other software tools for mobile were developed to broaden our customer base as 3G mobile becomes popular, which not only capture popular WAP websites but also provide automatic crawling and viewing on different information for mobile users, allowing them to avoid the traffic jam of direct visit to websites while gaining access to the latest information anytime and anywhere. The Company also conducted R&D on corporate service products such as Hosted Call Center, IP Call Center and Telemarketing Center etc. to provide corporate communication services to companies. In order to help companies establish their internet image and develop their internet network, the Company has developed the China Yellow Pages to provide internet products such as electronic services platform and advertisement platform to enterprises. The Company developed the Jiaoyubao Platform while dealing the Coordinated Communication ECP for Zhejiang Telecom, which consisted of an information segment, a resources segment, an interaction segment and an IM segment, perfectly blending Jiaoyubao with the ECP terminal.

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3. *Market and business development*

During the period, the Company mainly focused on telecommunication value-added business, application business and communication products agency business. For value-added business, our business such as Corporate Marketing Services, Corporate Communication Services, Personal Communication Services, Personal Entertainment Products, Information Services and Internet Services, and products such as the Bai Shi Tong alliance, SMS business card, push mail, call alert, switch on alert, voice dialing, click-to-dial, map business card and the 114 business information as well as industry & commerce information platform provided by China Telecom were promoted all across Zhejiang Province, and gradually expanded into other provinces. The Company has become the general agent of the ECP products of Zhejiang Telecom and combined it with its own products for joint development and marketing. For application business, we mainly provided management information support and related software development and system maintenance for the three major telecom operators. We were also authorized by ZTE (中興公司) for distribution of communication products to Guangdong China Mobile.

4. *Investment and cooperation*

During the period, the Group continued to maintain good relationship with the three telecom operators, China Mobile, China Unicom, and China Telecom, for its cooperative continuity in respect of different operations.

5. *Employees information*

As at 30 June 2010, the Group had approximately 290 (2009: 390) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB6,769,000 (2009: RMB10,931,000).

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

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

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

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Financial review

- The Group has maintained sound financial conditions. For the six months ended 30 June 2010, the Group was mainly financed by funds generated from operations.
- As at 30 June 2010, the Group's bank balances and cash amounted to approximately RMB20,080,000 (31 December 2009: RMB25,909,000).
- As at 30 June 2010, the Group had no outstanding short term bank borrowings (31 December 2009: Nil).
- As at 30 June 2010, the Group had a total asset value of approximately RMB113,368,000 (31 December 2009: RMB109,524,000).
- As at 30 June 2010, the Group had current liabilities of approximately RMB28,053,000 (31 December 2009: RMB23,555,000).
- As at 30 June 2010, the Group had equity attributable to equity holders of the Company of approximately RMB79,126,000 (31 December 2009: RMB80,146,000).
- As at 30 June 2010, the Group had no material contingent liabilities (31 December 2009: Nil).
- As at 30 June 2010, the Group had minority interests of approximately RMB6,189,000 (31 December 2009: RMB5,823,000).
- As at 30 June 2010, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 24.75% (31 December 2009: 21.51%).
- As at 30 June 2010, the Group had a net current asset ratio (i.e. the ratio of current liabilities to current assets) of approximately 27.31% (31 December 2009: 23.87%).
- 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. Status of orders in hand/sales contracts**

Our value-added service business has a large customer base and maintains a stable source of customers, the respective business contracts of which will continue to be executed or renewed. For instance, we recorded stable revenue in our Telecom Number 114 Bai Shi Tong service. We will gradually expand our value-added business into other provinces and develop the customer base for our value-added business. China Telecom has just established a dedicated department to provide enterprise communication products (ECP) based on the enterprise customer IM service, and we have secured a place as its national operating partner, with which we can sell our Jiaoyubao products while dealing the ECP or vice versa. For application services, we have a stable customer base in the three major telecom operators. And there will be potential demand on software upgrading and development of new software system to allow them to switch to the new environment. The Company has entered into a contract with ZTC, under which, ZTC authorizes the Company as the business agent for distribution of communication products to Guangdong China Mobile.

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2. Prospects of new business and new products

Through the use of our own in-depth information decoding know-how to continuously develop new products and by leveraging on its competitive edge in telecommunication and correlation of consumer behaviors, the Company has developed PMS which combines precision advertising, customer leading, customer care and effect assessment all in one. PMS offers services such as related information delivery, industry promotion, customer care and keyword bidding, which help enterprises explore new customers and maintain existing customers. Combined with Telecom Number 114 Bai Shi Tong service, it automatically matches proper enterprises according to users' needs, identify and recommend opportunities for enterprises. It has a promising market prospect and will become one of our core products in the future.

The newly-developed China Yellow Pages, 114 Business Information and Enterprise TV Station, serving as a united platform for the enterprise, provide them with Internet image-lifting, product promotion, product sales, product procurement, information collection, channel expansion and customer service. With its current cooperation with the Headquarters of Telecom Number 114 Bai Shi Tong, it will attract potential enterprise customers.

While dealing Telecom's ECP products, the Company will continue to develop its own products and businesses. With an organic combination of its own products with ECP, we will try to achieve a perfect complementation to each other and mutual development of both products.

With the business development of the three major telecom operators, our application has to adapt to such changes and new environment in respect of software upgrading and development of new software for them.

The Company will strengthen cooperation with ZTC to broaden the number and types of communication products for distribution for ZTC.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES

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

Save as disclosed below, as at 30 June 2010, none of the Directors, Supervisors or chief executives had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in shares

<u>Name</u>	<u>Type of interests</u>	<u>Capacity</u>	<u>Number of Domestic Shares held</u>	<u>Percentage of beneficial interests in the Company's share capital</u>
<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 2010, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2010, 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.

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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 2010, 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 2010, 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	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%

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Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Fong For	Beneficial owner	21,735,000 H Shares	6.10%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.63%
Liu Qiao Ping	Beneficial owner	10,235,340 Domestic Shares	2.87%
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 2010 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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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 2010.

Code of conduct regarding securities transactions by Directors

During the six months ended 30 June 2010, 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 2010.

On behalf of the Board

Chen Ping

Chairman

3 August 2010, Hangzhou, the PRC