



ZDLD
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 **2014**

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 of the Stock Exchange for the purpose of giving information with regard to Zheda Lande Scitech Limited*. The directors of Zheda Lande Scitech Limited*, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

HIGHLIGHTS

- Achieved a turnover of approximately RMB23,369,000 for the six months ended 30 June 2014, representing an approximately 10.32% decrease as compared with the turnover for the corresponding period in 2013.
- Incurred a net loss of approximately RMB2,214,000 for the six months ended 30 June 2014, as compared with the net profit for the corresponding period in 2013 of approximately RMB1,080,000.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2014.

2014 INTERIM RESULTS

For the six months ended 30 June 2014, the Group recorded an unaudited turnover of approximately RMB23,369,000 (2013: RMB26,058,000), representing a decrease of approximately RMB2,689,000, or approximately 10.32%, as compared with the turnover of the same period in 2013.

For the six months ended 30 June 2014, the Group recorded an unaudited net loss of approximately RMB2,214,000 (2013: net profit of RMB1,080,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

CONDENSED INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements of the Group for the six months ended 30 June 2014 together with the unaudited figures for the corresponding period in 2013 are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2014

	Notes	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	3	23,369	26,058	11,812	12,052
Cost of sales		(13,599)	(9,464)	(7,097)	(3,596)
Gross profit		9,770	16,594	4,715	8,456
Other operating income		530	362	526	349
Other operating expenses		(23)	(27)	(22)	(13)
Distribution and selling expenses		(4,679)	(5,737)	(2,058)	(2,736)
General and administrative expenses		(7,725)	(9,340)	(3,711)	(5,004)
Finance costs, net		16	3	10	5
(Loss) profit before tax	4	(2,111)	1,855	(540)	1,057
Income tax	5	(70)	(501)	(70)	(233)
(Loss) profit for the period		(2,181)	1,354	(610)	824
Attributable to:					
Owners of the Company		(2,214)	1,080	(668)	718
Non-controlling interests		33	274	58	106
		(2,181)	1,354	(610)	824
(Loss) earnings per share – Basic	8	RMB(0.006)	RMB0.003	RMB(0.002)	RMB0.002

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	(unaudited) 30 June 2014 RMB'000	(audited) 31 December 2013 RMB'000
Non-current assets			
Plant and equipment		3,814	4,319
Goodwill		956	956
		4,770	5,275
Current assets			
Inventories		2,918	1,572
Trade receivables	9	6,856	9,170
Prepayments and other receivables		73,087	76,031
Bank balances and cash		15,357	17,460
		98,218	104,233
Current liabilities			
Trade and other payables	10	14,693	18,907
Receipt in advance from customers		502	502
Income tax payable		1,712	1,837
		16,907	21,246
Net current assets		81,311	82,987
NET ASSETS		86,081	88,262
Capital and reserves			
Paid-in capital		35,655	35,655
Reserves		45,390	47,604
Equity attributable to owners of the Company		81,045	83,259
Non-controlling interests		5,036	5,003
TOTAL EQUITY		86,081	88,262

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	(unaudited)	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Net cash outflow from operating activities	(1,975)	(9,826)
Net cash outflow from investing activities	(128)	(51)
Net decrease in cash and cash equivalents	(2,103)	(9,877)
Cash and cash equivalents at beginning of period	17,460	14,774
Cash and cash equivalents at end of period	15,357	4,897

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	(unaudited)						
	Paid-in capital	Share premium	Statutory surplus reserve	Accumulated losses	Equity attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2013	35,655	76,570	10,567	(38,775)	84,017	5,267	89,284
Net profit	-	-	-	362	362	168	530
Balance as at 31 March 2013	35,655	76,570	10,567	(38,413)	84,379	5,435	89,814
Net profit	-	-	-	718	718	106	824
Balance as at 30 June 2013	35,655	76,570	10,567	(37,695)	85,097	5,541	90,638
Balance as at 1 January 2014	35,655	76,570	10,567	(39,533)	83,259	5,003	88,262
Net loss	-	-	-	(1,546)	(1,546)	(25)	(1,571)
Balance as at 31 March 2014	35,655	76,570	10,567	(41,079)	81,713	4,978	86,691
Net (loss) profit	-	-	-	(668)	(668)	58	(610)
Balance as at 30 June 2014	35,655	76,570	10,567	(41,747)	81,045	5,036	86,081

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 interim 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 interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2013.

3. TURNOVER AND SEGMENT INFORMATION

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

(i) Primary reporting segment – business segments

The Group comprises the following main business segments:

- provision of telecommunication solutions;
- trading of hardware and computer software; and
- provision of telecommunication value-added services.

	(unaudited)							
	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2014		2013		2014		2013	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment turnover	-	101	12,459	10,748	10,910	15,209	23,369	26,058
Segment results	-	1	630	2,373	9,140	14,220	9,770	16,594
Unallocated revenue							530	362
Unallocated expenses							(12,427)	(15,104)
Finance costs, net							16	3
(Loss) profit before tax							(2,111)	1,855
Income tax							(70)	(501)
(Loss) profit for the period							(2,181)	1,354
Other segment information:								
Capital expenditures	-	-	67	21	61	30	128	51
Depreciation and amortisation	-	3	293	271	264	392	557	666

	(unaudited) As at 30 June 2014 RMB'000	(audited) As at 31 December 2013 RMB'000	(unaudited) As at 30 June 2014 RMB'000	(audited) As at 31 December 2013 RMB'000	(unaudited) As at 30 June 2014 RMB'000	(audited) As at 31 December 2013 RMB'000	(unaudited) As at 30 June 2014 RMB'000	(audited) As at 31 December 2013 RMB'000
Segment assets	-	63	5,122	8,700	10,102	9,936	15,224	18,699
Unallocated assets							87,764	90,809
Total assets							102,988	109,508
Segment liabilities	-	-	1,936	3,893	776	265	2,712	4,158
Unallocated liabilities							14,195	17,088
Total liabilities							16,907	21,246

(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 2014 RMB'000		(unaudited) Three months ended 30 June 2014 RMB'000	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Depreciation and amortisation	557	666	208	316

5. INCOME TAX

	(unaudited) Six months ended 30 June		(unaudited) Three months ended 30 June	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax ("EIT")	70	501	70	233

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% (2013: 15%) as they were classified as Advanced and New Technology Enterprises. The business of the Group is conducted 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 2014 (2013: 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 2014 and 2013.

8. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing net loss for the six months and for the three months ended 30 June 2014 of approximately RMB2,214,000 and RMB668,000 (2013: net profits of approximately RMB1,080,000 and RMB718,000), respectively, by 356,546,000 (2013: 356,546,000) ordinary shares in issue.

No diluted (loss) earnings per share were presented for the six months and three months ended 30 June 2014 and 2013 as there was no potential dilutive securities in existence during the relevant periods.

9. TRADE RECEIVABLES

There were no specific credit period granted to customers except for an average credit period of 60-90 days to the Group's trade customers under trading of hardware and computer software segment. Trade receivables consisted of:

	(unaudited) 30 June 2014 RMB'000	(audited) 31 December 2013 RMB'000
Trade receivables	12,605	14,919
Less: impairment losses	(5,749)	(5,749)
	6,856	9,170
Aging analysis of the trade receivables net of impairment losses is as follows:		
less than one year	6,856	9,141
over one year but less than two years	-	29
	6,856	9,170

10. TRADE AND OTHER PAYABLES

	(unaudited)	(audited)
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Trade payables	499	2,115
Other payables and accruals	14,194	16,792
	14,693	18,907
Aging analysis of the trade payables presented based on the invoice date is as follows:		
less than one year	291	1,907
more than one year but less than two years	55	55
more than two years but less than three years	31	31
more than three years	122	122
	499	2,115

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

1. Review of operating results for the period

For the six months ended 30 June 2014, the unaudited turnover of the Group is approximately RMB23,369,000, representing a decrease of approximately RMB2,689,000, or approximately 10.32%, as compared with that of the same period in 2013. For the three months ended 30 June 2014, the unaudited turnover of the Group is approximately RMB11,812,000, representing a decrease of approximately RMB240,000, or approximately 1.99%, as compared with that of the same period in 2013.

The unaudited net loss of the Group for the six months and the three months ended 30 June 2014 is approximately RMB2,214,000 and RMB668,000, respectively. The unaudited net profit of the Group for the six months and the three months ended 30 June 2013 is approximately RMB1,080,000 and RMB718,000, respectively.

The decline in the results of the Group for the reporting period was mainly attributable to a decrease in turnover of the telecommunication value-added services segment of the Group due to intensified market competition.

2. Product research and development

During the period, the Group maintained a close cooperation relationship with operators, further explored industrial application of enterprises and integrated the industry resources. The positioning of products will expand further towards specialization to provide merchants with precise data marketing service.

3. Market and business development

The existing businesses of the Group cover enterprise marketing services and mobile Internet services such as enterprise publicity and promotion. China Telecom's 114 Bai Shi Tong Alliance, missed call alert, mobile phone music, SMS business cards, PCA, map business cards, 114 business information, industry and commerce information platform and zhe zhe wang website were all growing steadily. During the period, the Group continued to implement the development strategy of mobile Internet and integrated e-commerce and discount information services.

4. Investment and cooperation

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

The Company and Shanghai Aifusheng Information Technology Co., Ltd.* (上海艾孚生信息科技有限公司) (“**Shanghai Aifusheng**”) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) on 14 November 2013 pursuant to which the Company agreed to acquire from Shanghai Aifusheng 75% of the registered capital in Hangzhou Saijing Technology Co., Ltd.* (杭州賽景科技有限公司) and all rights and obligations attached thereto (the “**Proposed Acquisition**”). Completion of the Equity Transfer Agreement is conditional upon the fulfillment or waiver (where applicable) of the conditions precedent contained in the Equity Transfer Agreement. Up to 1 August 2014, certain conditions precedent have not been fulfilled and it was uncertain as to when such conditions precedent could be fulfilled. After careful consideration of all the circumstances surrounding the Proposed Acquisition, the Board decided not to proceed with the Proposed Acquisition. As such, on 1 August 2014, the Company and Shanghai Aifusheng entered into a termination agreement to terminate the Equity Transfer Agreement with immediate effect. Upon such termination, neither party should have any further obligations or liabilities towards the other nor any claims against the other in connection with the Equity Transfer Agreement.

The Board considers that the termination of the Equity Transfer Agreement is in the interest of the Company and its shareholders as a whole and has no material adverse impact on the existing business or financial position of the Group. Details of the termination of the Equity Transfer Agreement are set out in the Company’s announcement dated 1 August 2014.

5. Employees information

As at 30 June 2014, the Group had approximately 204 (2013: 304) employees in total. The total staff costs of the Group for the reporting period amounted to approximately RMB3,663,900 (2013: RMB4,735,900).

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

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

FINANCIAL REVIEW

- The Group has maintained sound financial conditions. For the six months ended 30 June 2014, the Group was mainly financed by funds generated from daily operations.
- As at 30 June 2014, the Group's bank balances and cash amounted to approximately RMB15,357,000 (31 December 2013: RMB17,460,000).
- As at 30 June 2014, the Group had no outstanding bank borrowings (31 December 2013: Nil).
- As at 30 June 2014, the Group had a total asset value of approximately RMB102,988,000 (31 December 2013: RMB109,508,000).
- As at 30 June 2014, the Group had current liabilities of approximately RMB16,907,000 (31 December 2013: RMB21,246,000).
- As at 30 June 2014, the Group had equity attributable to owners of the Company of approximately RMB81,045,000 (31 December 2013: RMB83,259,000).
- As at 30 June 2014 the Group had non-controlling interests of approximately RMB5,036,000 (31 December 2013: RMB5,003,000).
- As at 30 June 2014, the Group had a gearing ratio (i.e. the ratio of liabilities to total assets) of approximately 16.42% (31 December 2013: 19.40%).
- As at 30 June 2014, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 17.21% (31 December 2013: 20.38%).
- Since substantially all of the Group's trade payables generated from purchases and trade receivables generated from sales are denominated in Renminbi, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk.

CONTINGENT LIABILITY

Hangzhou Huaguang Computer Engineering Co., Ltd.* (杭州華光計算機工程有限公司) (“**Hangzhou Huaguang**”), a wholly-owned subsidiary of the Company, was involved in an arbitration application (the “**Arbitration Application**”) filed by Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) (“**Ningbo Zhongke**”) in relation to the dispute arising from the sales and purchase contract entered into between Hangzhou Huaguang and Ningbo Zhongke. According to the Arbitration Application, Ningbo Zhongke required, among others, that Hangzhou Huaguang to refund the equipment payment and interests amounted to approximately RMB5,899,000 and settle the arbitration fees. As at 30 June 2014, bank balance of approximately RMB1,498,000 was frozen by Hangzhou Arbitration Commission in relation to the Arbitration Application. Details of the Arbitration Application are set out in the announcement of the Company dated 29 November 2013. Up to the date of this report, the arbitration is still in progress.

CAPITAL STRUCTURE

In order to strengthen the Group’s business development and to provide working capital, on 22 January 2014, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to place, during the placing period, on a best effort basis, the placing shares comprising up to 150,000,000 new H shares at the placing price, on behalf of the Company to the placees who will be independent third parties. The placing has been approved in the extraordinary general meeting and class meetings of the shareholders of the Company held on 25 April 2014. Other relevant actions are in progress and the placing has not been completed up to the date of this report. Details of the proposed new H shares placing are set out in the announcement and the circular of the Company dated 22 January 2014 and 6 March 2014, respectively.

FUTURE PROSPECTS

1. Order backlog/sales contracts

Currently, the Group is working closely with operators in respect of value-added service business. Products and business contracts include China Telecom's 114 Bai Shi Tong Alliance, missed call alert, mobile phone music, SMS business cards, PCA, map business cards, 114 business information, industry and commerce information platform and zhe zhe wang website, the operation of which have been stable and in continued growth. Meanwhile, through the data accumulation between the Group and operators for many years, the Group centred on the expansion of commercial data accumulation towards the enterprise application of mobile Internet. Currently, the client-end mobile software introduced by the Group has attracted a stable customer base. It will help the further business expansion of the Group in the future.

2. Prospects for new business or new products

During the period, the Group focused on technology research and development of mobile Internet and research of commercial applications, and connected mobile Internet e-commerce with traditional business such as financial stewardship, customer information operation, key words operation etc., and developed enterprise application which eventually created profit for enterprises.

ADDITIONAL INFORMATION REQUIRED BY THE GEM LISTING RULES Directors', supervisors' and chief executives' interests in securities

Save as disclosed below, as at 30 June 2014, none of the Directors, supervisors or chief executives had interest or short position in the shares, underlying shares and debentures 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

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
<i>Director and chief executive officer</i>			
Mr. Chen Ping	Beneficial owner	36,392,320 Domestic Shares	10.21%
	Interest of a controlled corporation	33,961,432 Domestic Shares (Note)	9.53%

Note:

These 33,961,432 domestic shares are registered under the name of Hangzhou Gongjia Information Technology Co., Ltd.* (杭州共佳信息技術有限公司) ("Hangzhou Gongjia"), a limited liability company established in the PRC. Hangzhou Gongjia is wholly-owned by Shanghai Aifusheng, a limited liability company established in the PRC and is owned by Mr. Chen Ping, an executive Director and the chief executive officer of the Company, and an associate of Mr. Chen Ping as to 90% and 10%, respectively. For the purposes of the SFO, Mr. Chen Ping is deemed to be interested in the 33,961,432 domestic shares held by Hangzhou Gongjia. Mr. Chen Ping is also a director of each of Hangzhou Gongjia and Shanghai Aifusheng.

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

For the six months ended 30 June 2014, none of the Directors, supervisors or chief executives was granted options to subscribe for shares of the Company. As at 30 June 2014, 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 shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

Share option scheme

The Company has adopted the share option scheme conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002. A summary of the principal terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in the Prospectus. The share option scheme was expired on 20 April 2012. Up to 30 June 2014, 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 2014, no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the shares or underlying share of the Company which would fall to be disclosed under Division 2 and 3 or Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; or who were substantial shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司)	Beneficial owner	81,802,637 Domestic Shares	22.94%
Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司)	Beneficial owner	34,117,808 Domestic Shares	9.57%
Guoheng Fashion Media Technology Group Co., Ltd.* (國恒時尚傳媒科技集團股份有限公司)	Beneficial owner	34,117,800 Domestic Shares	9.57%
Hangzhou Gongjia	Beneficial owner	33,961,432 Domestic Shares	9.53%
Shanghai Aifusheng	Interest of a controlled corporation	33,961,432 Domestic Shares (Note)	9.53%
Mr. Fong For	Beneficial owner	21,735,000 H shares	6.10%

Note:

These 33,961,432 domestic shares are registered under the name of Hangzhou Gongjia. Hangzhou Gongjia is a wholly-owned subsidiary of Shanghai Aifusheng which is in turn owned by Mr. Chen Ping, an executive Director and the chief executive officer of the Company, and an associate of Mr. Chen Ping as to 90% and 10%, respectively.

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 2014 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to confirm with the current period's presentation.

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 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2014, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and code of conduct regarding securities transactions by Directors.

CORPORATE GOVERNANCE

The Company has endeavoured to compile with all code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2014.

By order of the Board
Zheda Lande Scitech Limited*
Chen Ping
Chairman

Hangzhou City, the PRC, 8 August 2014

* For identification purposes only