



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

2011

THIRD QUARTERLY REPORT



* 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 positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

* For identification purpose only



HIGHLIGHTS

- Achieved a turnover of approximately RMB47,696,000 for the nine months ended 30 September 2011, representing an approximately 32.22% decrease as compared with the turnover for the corresponding period in 2010.
- Incurred a net loss of approximately RMB2,505,000 for the nine months ended 30 September 2011, compared to the net loss of approximately RMB2,777,000 for the corresponding period in 2010.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2011.

The board of directors (the “Board”) of Zheda Lande Scitech Limited* (the “Company”) is pleased to present the third quarterly report of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30 September 2011.

2011 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2011, the Group recorded an unaudited turnover of approximately RMB47,696,000, representing a decrease of approximately RMB22,671,000, or approximately 32.22%, as compared with the turnover of the same period in 2010. For the three months ended 30 September 2011, the Group recorded an unaudited turnover of approximately RMB15,434,000, representing a decrease of approximately RMB15,726,000, or approximately 50.47%, as compared with the turnover of the same period in 2010.

For the nine and three months ended 30 September 2011, the Group recorded an unaudited net loss of approximately RMB2,505,000 and RMB1,436,000, respectively.

The unaudited results of the Group for the nine and three months ended 30 September 2011 together with the unaudited comparative figures for the corresponding periods in 2010 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	2	47,696	70,367	15,434	31,160
Cost of sales		(30,948)	(51,002)	(8,889)	(24,305)
Gross profit		16,748	19,365	6,545	6,855
Other operating expenses		(44)	(44)	(17)	(13)
Distribution and selling expenses		(1,359)	(1,221)	(513)	(337)
General and administrative expenses		(18,289)	(21,084)	(7,651)	(8,030)
Finance costs, net		183	65	94	29
Share of result of associates		482	174	(278)	(337)
Subsidy income		431	988	-	675
Loss before taxation		(1,848)	(1,757)	(1,264)	(1,158)
Taxation	3	(540)	(475)	(163)	(420)
Loss for the period		(2,388)	(2,232)	(1,427)	(1,578)
Attributable to:					
– Owners of the Company		(2,505)	(2,777)	(1,436)	(1,757)
– Non-controlling interests		117	545	9	179
		(2,388)	(2,232)	(1,427)	(1,578)
Loss per share					
– Basic	4	RMB0.007	RMB0.008	RMB0.004	RMB0.005



Notes:

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 GEM on 3 May 2002, details of which are set out in the prospectus of the Company dated 24 April 2002 (the "Prospectus").

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of Chapter 18 of the GEM Listing Rules (the "GEM Listing Rules").

2. TURNOVER

	Nine months ended		Three months ended	
	30 September		30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of telecommunication solutions	464	2,634	–	323
Trading of hardware and computer software	30,568	45,931	9,133	24,165
Provision of telecommunication value-added service	16,664	21,802	6,301	6,672
	47,696	70,367	15,434	31,160



3. TAXATION

	Nine months ended 30 September		Three months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The charges comprises:				
PRC enterprise income tax ("EIT")	540	475	163	420

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries is 25% from 1 January 2008 onwards.

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (same periods in 2010: 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.

4. LOSS PER SHARE

Loss per share has been computed by dividing net loss for the nine and three months ended 30 September 2011 of approximately RMB2,505,000 and approximately RMB1,436,000 (same periods in 2010: net loss of approximately RMB2,777,000 and approximately RMB1,757,000) by 356,546,000 shares (same periods in 2010: 356,546,000 shares) in issue during the relevant periods.

No diluted loss per share was presented for the nine months and three months ended 30 September 2011 as there was no potential dilutive securities in existence during the relevant periods.



5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2011 and 2010:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000
At 1 January 2010	76,570	10,567	(42,626)
Net loss	-	-	(1,020)
At 30 June 2010	76,570	10,567	(43,666)
Net loss	-	-	(1,757)
At 30 September 2010	76,570	10,567	(45,423)
At 1 January 2011	76,570	10,567	(43,520)
Net loss	-	-	(1,069)
At 30 June 2011	76,570	10,567	(44,589)
Net loss	-	-	(1,436)
At 30 September 2011	76,570	10,567	(46,025)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).



REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2011, the Group recorded an unaudited turnover of approximately RMB47,696,000, representing a decrease of approximately RMB22,671,000, or approximately 32.22%, as compared with the turnover of the same period in 2010. For the three months ended 30 September 2011, the Group recorded an unaudited turnover of approximately RMB15,434,000, representing a decrease of approximately RMB15,726,000 or 50.47%, as compared with the turnover of the same period in 2010.

For the nine and three months ended 30 September 2011, the Group recorded an unaudited net loss of approximately RMB2,505,000 and RMB1,436,000, respectively.

Business review

1. *Product development*

During the period, the Company set up the strategic development unit for innovative product research and development. The aim is to promote the continuous development of technology, the research and development of mobile networking technology and applying new technology to existing products. We developed different versions of application platform for mobile terminal and provided automatic crawling of various information for easy browsing of mobile users, thereby allowing them to access to any information and services at anytime and anywhere, so as to expand our customer base. The Company also conducted R&D on corporate service products, to provide Internet products such as corporate electronic service platform to corporate customers. The Company continued to enrich the function of the Coordinated Communication ECP for Zhejiang Telecom. New industry application function was added to the basic communication function and was launched to different industrial sectors. It contained different industry information and segments and is aimed to forge an integrated information platform for instant messaging and industry application. The Company developed the Zhezhewang (折折網) Platform, which provides customers with preferential information and services platform.



2. Market and business development

During the period, while promoting the Bai Shi Tong alliance provided by China Telecom, SMS business card, personal communication assistant, map business card and the 114 business information, industry and commerce information platform as well as the Zhezhewang (折折網) Platform, the Company continued to upgrade and enrich the features of its products in order to meet market demand and secure a stable group of customers. 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. The Company also provided system integration and system networking equipment procurement, installation and maintenance and other services to its corporate customers.

3. Investment and cooperation

During the period, the relations between the Group, the Zhejiang University and other research institutions were strengthened in technical exchanges and training. The Company also continued to work together with China Mobile, China Telecom, China Unicom and other operators to promote the conduct of business.

Future prospects

1. Status of orders in hand/sales contracts

At present, we maintain a close cooperation relationship with various operators for our value-added business. All of our existing products are growing steadily. The Company has been discussing with operators in different provinces and municipals so as to enhance its market share. With our large customer base, the Company is engaging in new product R&D for substitution and upgrading, so as to maintain customer royalty, enhance service standard and maintain stable customer source. We can sell our Jiaoyubao products while dealing the ECP or vice versa. We may also enter into system integration and system networking equipment procurement, installation and maintenance and other services with our existing customers.



2. Prospects of new business and new products

During the period, the Company set up the product strategic planning center which is responsible for technology R&D and exploration of innovative application. By leveraging on our experiences on value-added business accumulated over the years, together with advancements in telecommunication technology and by adopting a demand-oriented approach, the new strategic unit is deemed to contribute to our product R&D and technology innovation. In view of the rapid development of mobile networking, various applications have been migrated to mobile terminal. The Company will through the use of our own in-depth information decoding know-how, existing customer resource as well as reputable operators channel to develop new products and application.

Position of our existing products will continue to be upgraded and enriched: our PMS is designed to locate the target for corporate customers, which can identify the target customers based on some basic information, thereby sending corporate information and advertising to them for promotion of customer care and cross-selling of products; for Number 114 service system, it automatically picks the right company for the customer based on the need of the customer, thereby opening up business opportunities for companies; for Jiaoyubao product, its function and segment design not only allow instant messaging, but also provides various education resources, counseling and training and other content which serves the practical purposes.



DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 September 2011, 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

Name	Type of interests	Capacity	Number of Domestic Shares held	Percentage of beneficial interests in the Company's share capital
<i>Director & Chief Executive Officer</i>				
Mr. Chen Ping	Personal	Beneficial owner	36,392,320	10.21%
<i>Director</i>				
Mr. Jin Lian Fu	Personal	Beneficial owner	3,411,790	0.96%

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

For the nine months ended 30 September 2011, none of the Directors, Supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 2011, 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, 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 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 September 2011, no option has been granted pursuant to such share option scheme.

INTEREST DISCLOSEABLE 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 September 2011, 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

<u>Shareholder</u>	<u>Capacity</u>	<u>Number of shares held</u>	<u>Percentage of beneficial interests in the Company's share capital</u>
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%
Mr. Fong For	Beneficial owner	21,735,000 H Shares	6.10%



Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Mr. Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.63%
Ms. Liu Qiao Ping	Beneficial owner	10,235,340 Domestic Shares	2.87%
Mr. 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 three independent non-executive directors, Mr. Gu Yu Lin, Mr. Zhang De Xin, and Mr. Cai Xiao Fu whereas Mr. Gu Yu Lin is the chairman.

The third quarterly report of the Group for the nine months ended 30 September 2011 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 nine months ended 30 September 2011.

On behalf of the Board
Chen Ping
 Chairman