



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

First Quarterly Report **2014**

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

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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.

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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 RMB11,557,000 for the three months ended 31 March 2014, representing a decrease of approximately 17.49% as compared with the turnover for the corresponding period in 2013.
- Incurred a loss of approximately RMB1,546,000, as compared with the net profit of approximately RMB362,000 for the corresponding period in 2013.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zheda Lande Scitech Limited* (the “**Company**”) is pleased to present the first quarterly report of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2014.

2014 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2014, the Group recorded an unaudited turnover of approximately RMB11,557,000, representing a decrease of approximately RMB2,449,000, or approximately 17.49%, as compared with the turnover of the same period in 2013.

For the three months ended 31 March 2014, the Group recorded an unaudited loss of approximately RMB1,546,000, as compared with the profit of the same period in 2013 of approximately RMB362,000.

The unaudited results of the Group for the three months ended 31 March 2014 together with the unaudited comparative figures for the corresponding period in 2013 are as follows:

	Notes	For the three months ended 31 March	
		2014 RMB'000	2013 RMB'000
Turnover	2	11,557	14,006
Cost of sales		(6,502)	(5,868)
Gross profit		5,055	8,138
Other operating expenses		(1)	(14)
Distribution and selling expenses		(2,621)	(3,001)
General and administrative expenses		(4,014)	(4,336)
Finance costs, net		6	(2)
Subsidy income		4	13
(Loss) profit before tax		(1,571)	798
Income tax	3	-	(268)
(Loss) profit for the period		(1,571)	530
(Loss) profit attributable to:			
Owners of the Company		(1,546)	362
Non-controlling interests		(25)	168
		(1,571)	530
(Loss) earnings per share			
– Basic and diluted	4	RMB(0.43) cents	RMB0.10 cents

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

The 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

2. TURNOVER

	For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
Provision of telecommunication solutions	–	100
Trading of hardware and computer software	5,902	6,123
Provision of telecommunication value-added services	5,655	7,783
	11,557	14,006

3. INCOME TAX

	For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
PRC Enterprises Income Tax ("EIT")	–	268

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% (2013: 25%).

The Company was subject to EIT at a rate of 15% (2013: 15%) as it was classified as Advanced and New Technology Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax.

4. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing the loss attributable to owners of the Company for the three months ended 31 March 2014 of approximately RMB1,546,000 (2013: profit of RMB362,000) by the number of 356,546,000 (2013: 356,546,000) shares in issue during the period.

Diluted (loss) earnings per share is not presented because of no potential diluted shares existed during the period.

5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2014 and 2013:

	For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
Accumulated losses		
At 1 January	(39,533)	(38,775)
Net (loss) profit	(1,546)	362
At 31 March	(41,079)	(38,413)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014 (2013: Nil).

REVIEW OF THE FIRST QUARTER

Financial review

For the three months ended 31 March 2014, the Group recorded an unaudited turnover of approximately RMB11,557,000, representing a decrease of approximately RMB2,449,000 or approximately 17.49% as compared with the turnover of the same period in 2013.

For the three months ended 31 March 2014, the Group recorded an unaudited loss of approximately RMB1,546,000, as compared with the profit of the same period in 2013 of approximately RMB362,000.

The decline in the results of the Group for the reporting period was mainly attributable to a decrease in turnover from all business segments of the Group due to intensified market competition.

Business and operation review

Product development

During the period, the Company continued to closely cooperate with operators in existing and traditional businesses, including SMS business cards, precise marketing and 114 Bai Shi Tong Alliance business. On the other hand, the Company continued to expand its market in various provinces and cities. However, given the increasingly competitive market environment in the PRC, the results of the first quarter of 2014 dropped. In respect of new technology, the Company focused on industrial applications and functions based on existing products in order to improve user experience and gain larger market share in future.

Market and business development

The Company commenced and implemented the strategy of city life portal, created community portal for city, developed community e-commerce and targeted on mobile communication operators so as to achieve a breakthrough of discount business.

Proposed acquisition of 75% equity interest of Hangzhou Saijing Technology Co., Ltd.* (杭州賽景科技有限公司) (“Hangzhou Saijing”)

In accordance with the Company’s development and transformation plan in the mobile Internet industry and the operators’ application services industry, on 14 November 2013, the Company entered into an equity transfer agreement with Shanghai Aifusheng Information Technology Co., Ltd.* (上海艾孚生信息科技有限公司) (“**Shanghai Aifusheng**”) for the acquisition of 75% equity interest of Hangzhou Saijing to broaden its source of revenue. The consideration for the proposed acquisition is the lower of RMB45,000,000 or 75% of the appraised value of Hangzhou Saijing to be set out in a valuation report (subject to adjustment) and will be funded by internal resources of the Group. The proposed acquisition has not been completed up to the date of this report and is subjected to approval in an extraordinary general meeting of the shareholders of the Company. Details of the proposed acquisition are set out in the announcement of the Company dated 14 November 2013.

Arbitration between the Group and Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) (“Ningbo Zhongke”)

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 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 31 March 2014, bank balance of approximately RMB1,442,000 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.

Proposed placing of new H shares

In order to strengthen the Group's business development and provide for general 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. Orders on hand/Status of sales contracts

The Company mainly provides different services for users of fixed line, mobile, Internet and mobile Internet. The Company provides services for both individuals and corporations, of which individual services include missed call reminder, financial assistant, small payment and navigation service, while corporate services include call center, SMS business card, customer care and map-markings. Through a long-term and close cooperation with major telecommunication operators, the Company has gained experience in and is capable of providing telecommunication technology, service and operation. The Company will continue to serve a large group of telecommunication users with mobile Internet application. For mobile Internet application business, the client-end mobile software introduced by the Company has attracted more stable customer base, which will become important resources and channels for the next round of business expansion of the Company.

2. Prospects of new business and new products

The Company has aggressively developed mobile Internet business and mobile Internet e-commerce business and continuously achieved success and gained experience to develop enterprise application. Through the development of its existing product lines, the Company has accumulated a considerable amount of customers and suppliers, and provided e-commerce services specifically designed for SMEs. Meanwhile, the Company always enriches mobile Internet functions and broadens user experience which makes corporate users finally to become the driving force for the Company's income.

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

Save as disclosed below, as at 31 March 2014, 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 the 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 three months ended 31 March 2014, none of the Directors, supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 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. Up to 31 March 2014, no option has been granted pursuant to such share option scheme. The share option scheme was expired on 20 April 2012.

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 31 March 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 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 first quarterly report of the Group for the three months ended 31 March 2014 has been reviewed by the Company's audit committee.

RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform 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 period from 1 January 2014 to 31 March 2014.

On behalf of the Board
Zheda Lande Scitech Limited*
Chen Ping
Chairman

Hangzhou City, the PRC, 9 May 2014

* *For identification purposes only*