



**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

Third Quarterly Report **2014**

## **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.**

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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 RMB35,635,000 for the nine months ended 30 September 2014, representing an approximately 17.79% decrease as compared with the turnover for the corresponding period in 2013.
- Incurred a net loss of approximately RMB4,056,000 for the nine months ended 30 September 2014, compared to the net profit of approximately RMB435,000 for the corresponding period in 2013.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014.

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

## 2014 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2014, the Group recorded an unaudited turnover of approximately RMB35,635,000, representing a decrease of approximately RMB7,713,000, or approximately 17.79%, as compared with the turnover of the same period in 2013.

For the three months ended 30 September 2014, the Group recorded an unaudited turnover of approximately RMB12,266,000, representing a decrease of approximately RMB5,024,000, or approximately 29.06%, as compared with the turnover of the same period in 2013.

For the nine and three months ended 30 September 2014, the Group recorded an unaudited net loss of approximately RMB4,056,000 and RMB1,842,000, respectively.

The unaudited results of the Group for the nine and three months ended 30 September 2014 together with the unaudited comparative figures for the corresponding periods in 2013 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Turnover	2	<b>35,635</b>	43,348	<b>12,266</b>	17,290
Cost of sales		<b>(22,066)</b>	(19,825)	<b>(8,467)</b>	(10,361)
Gross profit		<b>13,569</b>	23,523	<b>3,799</b>	6,929
Other operating expenses		<b>(70)</b>	(44)	<b>(47)</b>	(17)
Distribution and selling expenses		<b>(6,615)</b>	(8,461)	<b>(1,936)</b>	(2,724)
General and administrative expenses		<b>(11,738)</b>	(14,126)	<b>(4,013)</b>	(4,786)
Finance costs, net		<b>70</b>	6	<b>54</b>	3
Subsidy income		<b>531</b>	364	<b>1</b>	2
(Loss) profit before tax		<b>(4,253)</b>	1,262	<b>(2,142)</b>	(593)
Income tax	3	<b>-</b>	(552)	<b>70</b>	(51)
(Loss) profit for the period		<b>(4,253)</b>	710	<b>(2,072)</b>	(644)
Attributable to:					
Owners of the Company		<b>(4,056)</b>	435	<b>(1,842)</b>	(645)
Non-controlling interests		<b>(197)</b>	275	<b>(230)</b>	1
		<b>(4,253)</b>	710	<b>(2,072)</b>	(644)
(Loss) earnings per share					
– Basic	4	<b>RMB(0.011)</b>	RMB0.001	<b>RMB(0.005)</b>	RMB(0.002)

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

## 2. TURNOVER

	Nine months ended 30 September		Three months ended 30 September	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Provision of telecommunication solutions	-	101	-	-
Trading of hardware and computer software	19,499	21,714	7,040	10,966
Provision of telecommunication value-added service	16,136	21,533	5,226	6,324
	<b>35,635</b>	<b>43,348</b>	<b>12,266</b>	<b>17,290</b>

### 3. INCOME TAX

	Nine months ended		Three months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
The charges comprises:				
PRC enterprise income tax ("EIT")	-	552	(70)	51

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and the Group's certain PRC subsidiaries is 25%.

Some of the Group's 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.

### 4. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share has been computed by dividing net loss for the nine months and net loss for the three months ended 30 September 2014 of approximately RMB4,056,000 and approximately RMB1,842,000, respectively (2013: net profit of approximately RMB435,000 and net loss of approximately RMB645,000) by 356,546,000 shares (2013: 356,546,000 shares) in issue during the relevant periods.

No diluted (loss) earnings per share were presented for the nine months and three months ended 30 September 2014 and 2013 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 2014 and 2013:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000
At 1 January 2013	76,570	10,567	(38,775)
Net profit	–	–	1,080
At 30 June 2013	76,570	10,567	(37,695)
Net loss	–	–	(645)
At 30 September 2013	76,570	10,567	(38,340)
At 1 January 2014	<b>76,570</b>	<b>10,567</b>	<b>(39,533)</b>
Net loss	–	–	<b>(2,214)</b>
At 30 June 2014	<b>76,570</b>	<b>10,567</b>	<b>(41,747)</b>
Net loss	–	–	<b>(1,842)</b>
At 30 September 2014	<b>76,570</b>	<b>10,567</b>	<b>(43,589)</b>

## **INTERIM DIVIDEND**

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

## **REVIEW OF THE THIRD QUARTER**

### **Financial review**

For the nine months ended 30 September 2014, the Group recorded an unaudited turnover of approximately RMB35,635,000, representing a decrease of approximately RMB7,713,000, or approximately 17.79%, as compared with the turnover of the same period in 2013. For the three months ended 30 September 2014, the Group recorded an unaudited turnover of approximately RMB12,266,000, representing a decrease of approximately RMB5,024,000 or 29.06%, as compared with the turnover of the same period in 2013.

For the nine and three months ended 30 September 2014, the Group recorded an unaudited net loss of approximately RMB4,056,000 and RMB1,842,000, respectively.

The decline in the results of the Group for the reporting period was mainly attributable to the development trend and intensified competition of the market. Since the information service products in the market are more diverse and involve more applications of mobile Internet, the difficulty and costs for enhancing and marketing the Company's products have increased accordingly and led to a drop in the turnover of the Group's telecommunication value-added service and sales of hardware and software business. Apart from the aforesaid, the decrease in the turnover of the sales of hardware was also because the Company was of the view that profit generated in this segment is relatively low as compared with the increasing costs, and thus it intentionally tightened its input in this segment so as to allocate more resources in developing new and competitive products.

### **Business and operation review**

#### ***Product development***

During the period, the Company mainly conducted expansion and research and development of the existing product line to strengthen the experience of existing products. There were no new goals for product development during the period.



### ***Market and business development***

During the period, the Company continued the cooperation with operators in product promotion. The promotion of products is becoming more and more difficult given the current trend in the market and fierce competition in view of the gradual diversification of various information services. It leads to a drop in the corresponding revenue, having various impacts on products of the Company such as SMS business cards and discount platform. Meanwhile, this increased the Company's cost in promotion. The Company is considering to respond by ascertaining new direction of products and market strategy through market orientation.

### ***Investment and cooperation***

The Company continued to broaden cooperation with operators including China Mobile, China Telecom and China Unicom to press ahead its business.

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

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 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.

### ***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 30 September 2014, bank balance of approximately RMB1,556,000 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. *Order backlog/sales contracts***

During the period, the Company continued cooperation with operators for existing products. There were declines in the revenue of existing products in the telecommunication value-added business such as Bai Shi Tong Alliance, enterprise SMS business cards, map business cards, discount website platform. This is mainly due to reasons such as the competitiveness of the products of the Company and insufficient inputs in marketing.

In respect of sales of computer hardware and software of the Company, the revenue also dropped during the period. This is mainly due to a conscious contraction by the Company in this business segment as the profit margin is not high and the cost is increasing.

### **2. *Prospects for new business or new products***

The Company hopes to increase strength in research and development towards mobile Internet and development of new products. The Company is researching on market needs and strengthening the training and recruitment of technical talents.

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

Save as disclosed below, as at 30 September 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, 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 nine months ended 30 September 2014, none of the Directors, supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 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, 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 September 2014, 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 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 shares 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.* (國恆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 third quarterly report of the Group for the nine months ended 30 September 2014 has 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 nine months ended 30 September 2014.

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

Hangzhou City, the PRC, 13 November 2014

\* *For identification purposes only*