



ZDL
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

2015

First Quarterly Report

* for identification purposes 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.

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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 RMB9,038,000 for the three months ended 31 March 2015, representing a decrease of approximately 21.80% as compared with the turnover for the corresponding period in 2014.
- Incurred a net loss of approximately RMB2,252,000 for the three months ended 31 March 2015, as compared with the net loss of approximately RMB1,546,000 for the corresponding period in 2014.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015.

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 2015.

2015 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2015, the Group recorded an unaudited turnover of approximately RMB9,038,000, representing a decrease of approximately RMB2,519,000, or approximately 21.80%, as compared with the turnover of the same period in 2014.

For the three months ended 31 March 2015, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB2,252,000, as compared with the loss attributable to owners of the Company for the same period in 2014 of approximately RMB1,546,000.

The unaudited results of the Group for the three months ended 31 March 2015 together with the unaudited comparative figures for the corresponding period in 2014 are as follows:

	Notes	For the three months ended 31 March	
		2015 RMB'000	2014 RMB'000
Turnover	2	9,038	11,557
Cost of sales		(4,935)	(6,502)
Gross profit		4,103	5,055
Other operating expenses		(5)	(1)
Distribution and selling expenses		(2,101)	(2,621)
General and administrative expenses		(4,414)	(4,014)
Finance costs, net		15	6
Subsidy income		2	4
Loss before tax		(2,400)	(1,571)
Income tax	3	-	-
Loss for the period		(2,400)	(1,571)
Loss attributable to:			
Owners of the Company		(2,252)	(1,546)
Non-controlling interests		(148)	(25)
		(2,400)	(1,571)
Loss per share			
– Basic and diluted	4	RMB(0.63) cents	RMB(0.43) 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 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	
	2015 RMB'000	2014 RMB'000
Provision of telecommunication solutions	–	–
Trading of hardware and computer software	3,955	5,902
Provision of telecommunication value-added services	5,083	5,655
	9,038	11,557

3. INCOME TAX

	For the three months ended 31 March	
	2015 RMB'000	2014 RMB'000
PRC Enterprises Income Tax ("EIT")	–	–

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% (2014: 25%).

No provision for EIT has been made for the Company for the period as there was no assessable profit derived by the Company for the period (2014: Nil). Certain subsidiaries of the Company were subject to EIT at a rate of 15% (2014: 15%) as they were classified as Advanced and New Technology Enterprise.

During the period, 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 profit subject to Hong Kong Profits Tax (2014: Nil).

4. LOSS PER SHARE

Loss per share has been computed by dividing the loss attributable to owners of the Company for the three months ended 31 March 2015 of approximately RMB2,252,000 (2014: RMB1,546,000) by the number of 356,546,000 (2014: 356,546,000) shares in issue during the period.

Diluted loss per share was the same as basic loss per share for both the three months periods ended 31 March 2015 and 2014 as there were no potential diluted shares existed during both periods.

5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2015 and 2014:

	For the three months ended 31 March	
	2015 RMB'000	2014 RMB'000
Accumulated losses		
At 1 January	(50,770)	(39,533)
Net loss	(2,252)	(1,546)
At 31 March	(53,022)	(41,079)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2015 (2014: Nil).

REVIEW OF THE FIRST QUARTER

Financial review

For the three months ended 31 March 2015, the Group recorded an unaudited turnover of approximately RMB9,038,000, representing a decrease of approximately RMB2,519,000 or approximately 21.80% as compared with the turnover of the same period in 2014.

For the three months ended 31 March 2015, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB2,252,000, as compared with the loss attributable to owners of the Company for the same period in 2014 of approximately RMB1,546,000.

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

1. *Product development*

During the period, the Company continued to cooperate with operators on its existing businesses, such as SMS business cards, precise marketing and 114 Bai Shi Tong. During the first quarter, income decreased as compared with the same period of last year, mainly due to intense competition in the market, and together with the inadequate input of the Company in product development and marketing. At present, the Company has strived to upgrade the existing products, as so to improve its function gradually.

2. *Market and business development*

During the period, the Company has maintained a collaborative business relationship with China Telecom, China Mobile and China Unicom. By cooperating with the operators, the products of the Company are operating normally in various regions. The Company has also strengthened the product access in various regions through the operators. Currently, products of the Company such as SMS business cards, online discount platform and 114 business information provide merchants with precise marketing service. The Company is also striving to improve users' adoption and satisfaction.

3. *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 2015, bank balance of approximately RMB1,700,000 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.

4. *Proposed placing of new H shares*

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 by the shareholders of the Company in their extraordinary general meeting and class meetings held on 25 April 2014 and then the China Securities Regulatory Commission (中國證券監督管理委員會). Subsequently, the long stop date of the original placing agreement was extended to 24 April 2015 by two supplemental agreements (together with the original placing agreement, the “**Placing Agreements**”). However, the Company was informed by the placing agent that potential placees could not be located and the placing has not been successful on or before 24 April 2015. Accordingly, the Placing Agreements have lapsed and the placing will not proceed. Details of the lapse of the Placing Agreements are set out in the announcement of the Company dated 24 April 2015.

5. *Investment and cooperation*

During the period, there was no new project investment by the Company. The Company has continued to work with operators such as China Mobile, China Telecom and China Unicom.

Future prospects

1. *Orders on hand/status of sales contracts*

Products which the Company cooperated with the operators, including SMS business cards, key words and 114 Bai Shi Tong are all within the contract periods and will continue to perform in the future, and have contributed income to the Company. At the same time, the Company proposes to combine industry application and continues 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*

By using its existing products and utilizing its customers which have been accumulated during its long term operation, the Company provided e-commerce services for SMEs, and 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 2015, none of the Directors, supervisors or chief executives of the Company 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 Information Technology Co., Ltd.* (上海艾孚生信息科技有限公司) (“**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 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 2015, none of the Directors, supervisors or chief executives of the Company was granted options to subscribe for shares of the Company. As at 31 March 2015, none of the Directors, supervisors or chief executives of the Company 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's share option scheme (the "**Share Option Scheme**") conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 had expired on 20 April 2012. No options had been granted by the Company under the Share Option Scheme since its adoption.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, supervisors or chief executives of the Company, as at 31 March 2015, there were 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 of the Company 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 2015 has 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 period from 1 January 2015 to 31 March 2015.

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

Hangzhou City, the PRC, 15 May 2015

* *For identification purposes only*