



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

Third Quarterly Report

* for identification purposes only

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 RMB35,268,000 for the nine months ended 30 September 2015, representing an approximately 1.03% decrease as compared with the turnover for the corresponding period in 2014.
- Incurred a net loss of approximately RMB4,837,000 for the nine months ended 30 September 2015, compared to the net loss of approximately RMB4,056,000 for the corresponding period in 2014.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015.

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 2015.

2015 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2015, the Group recorded an unaudited turnover of approximately RMB35,268,000 (2014: RMB35,635,000), representing a decrease of approximately RMB367,000, or approximately 1.03%, as compared with the turnover of the same period in 2014. For the three months ended 30 September 2015, the Group recorded an unaudited turnover of approximately RMB14,810,000 (2014: RMB12,266,000), representing an increase of approximately RMB2,544,000, or approximately 20.74%, as compared with the turnover of the same period in 2014.

For the nine and three months ended 30 September 2015, the Group recorded an unaudited net loss of approximately RMB4,837,000 (2014: RMB4,056,000) and RMB1,838,000 (2014: RMB1,842,000), respectively.

The unaudited results of the Group for the nine and three months ended 30 September 2015 together with the unaudited comparative figures for the corresponding periods in 2014 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Turnover	2	35,268	35,635	14,810	12,266
Cost of sales		(24,848)	(22,066)	(11,797)	(8,467)
Gross profit		10,420	13,569	3,013	3,799
Subsidy income		2	531	-	1
Distribution and selling expenses		(5,865)	(6,615)	(2,360)	(1,936)
General and administrative expenses		(9,897)	(11,738)	(2,747)	(4,013)
Other operating expenses		(55)	(70)	(29)	(47)
Finance costs, net		51	70	14	54
Loss before tax		(5,344)	(4,253)	(2,109)	(2,142)
Income tax	3	-	-	-	70
Loss for the period		(5,344)	(4,253)	(2,109)	(2,072)
Loss for the period attributable to:					
Owners of the Company		(4,837)	(4,056)	(1,838)	(1,842)
Non-controlling interests		(507)	(197)	(271)	(230)
		(5,344)	(4,253)	(2,109)	(2,072)
Loss per share					
– Basic	4	RMB(0.014)	RMB(0.011)	RMB(0.005)	RMB(0.005)

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 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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Provision of telecommunication solutions	–	–	–	–
Trading of hardware and computer software	21,653	19,499	10,839	7,040
Provision of telecommunication value-added services	13,615	16,136	3,971	5,226
	35,268	35,635	14,810	12,266

3. INCOME TAX

	Nine months ended 30 September		Three months ended 30 September	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
The charges comprises:				
PRC Enterprise Income Tax ("EIT")	-	-	-	(70)

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 periods as there was no assessable profit derived by the Company for the periods (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 periods, 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 net loss for the nine months and three months ended 30 September 2015 of approximately RMB4,837,000 (2014: RMB4,056,000) and approximately RMB1,838,000 (2014: RMB1,842,000), respectively, by 356,546,000 (2014: 356,546,000) shares in issue during the relevant periods.

Diluted loss per share was the same as basic loss per share for the nine months and three months ended 30 September 2015 and 2014 as there were no potential diluted shares existed 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 2015 and 2014:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000
At 1 January 2014	76,570	10,567	(39,533)
Net loss	–	–	(2,214)
At 30 June 2014	76,570	10,567	(41,747)
Net loss	–	–	(1,842)
At 30 September 2014	76,570	10,567	(43,589)
At 1 January 2015	76,570	10,567	(50,770)
Net loss	–	–	(2,999)
At 30 June 2015	76,570	10,567	(53,769)
Net loss	–	–	(1,838)
At 30 September 2015	76,570	10,567	(55,607)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2015, the Group recorded an unaudited turnover of approximately RMB35,268,000 (2014: RMB35,635,000), representing a decrease of approximately RMB367,000, or approximately 1.03%, as compared with the turnover of the same period in 2014. For the three months ended 30 September 2015, the Group recorded an unaudited turnover of approximately RMB14,810,000 (2014: RMB12,266,000), representing an increase of approximately RMB2,544,000, or 20.74%, as compared with the turnover of the same period in 2014.

For the nine and three months ended 30 September 2015, the Group recorded an unaudited net loss of approximately RMB4,837,000 (2014: RMB4,056,000) and RMB1,838,000 (2014: RMB1,842,000), respectively.

During the reporting period, the Group continued to incur a net loss as a result of the continuous deterioration of the operating environment and intensified market competition.

Business and operation review

1. Product development

During the period, other than optimizing the existing product features and users experiences, the Company also developed the corporate mobile application data mining technologies so as to deliver business services for enterprises to actively arrange for the transformation towards “Internet +”. The Company is also studying the community O2O online platform and developing applications for delivering community services so as to provide intelligent and convenient daily life services to the residential users.

2. Market and business development

During the period, the Company continued to cooperate with operators to secure the revenue of its existing products. At the same time, the Company is transforming the telecommunication value-added services towards the development of corporate mobile “Internet+” for industry application through the value-added services customers and data base it has developed; building an integrated system of corporate business applications for applications such as data mining, data analysis and marketing platform. Besides, the Company attempted to promote its business into community services so as to deliver convenient and intelligent O2O services for the residential users in their daily life through the integration of online and offline services.

3. Investment and cooperation

The Company continued its cooperation with China Mobile, China Telecom, China Unicom and other operators to further promote its business. Along with its business restructuring, the Company is also seeking potential investment and cooperation projects to boost business restructuring.

4. 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 2015, bank balance of approximately RMB2,021,000 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.

5. Proposed placing of new H shares
2014 proposed placing

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 “**2014 Proposed Placing**”). The 2014 Proposed 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) on 8 December 2014. 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 “**2014 Placing Agreements**”). Due to the fact that placees could not be located by the placing agent pursuant to the 2014 Placing Agreements, the 2014 Placing Agreements have lapsed on 24 April 2015 and the 2014 Proposed Placing will not proceed. Details of the lapse of the 2014 Placing Agreements are set out in the announcement of the Company dated 24 April 2015.

2015 proposed placing

On 9 September 2015, the Company entered into a placing agreement with another new placing manager, pursuant to which the new placing manager 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 “**2015 Proposed Placing**”). The 2015 Proposed Placing has not yet been completed up to the date of this report and is subject to, among other things, approval in an extraordinary general meeting and class meetings of the shareholders of the Company to be held on 17 November 2015. Details of the 2015 Proposed Placing are set out in the announcements of the Company dated 9 and 30 September 2015 and the circular of the Company dated 30 September 2015.

Future prospects

1. *Order backlog/sales contracts*

During the period, the Company continued its cooperation with the operators for the existing products of its value-added business. Revenue from existing products such as Bai Shi Tong Alliance, corporate SMS business cards, map business cards and discount website platform continued to decline as affected by the market environment. Currently, the Company intends to further stabilize the revenue through means such as increasing its marketing efforts and technological upgrade.

At present, the Company is also promoting enterprise business services platform and community O2O services. However, both projects are still in the early stages of planning and capital investment, and are unlikely to generate revenue in the short-term.

2. *Prospects for new business or new products*

Leveraging on the customers and data of the existing products, the Company is building an enterprise business platform, being Qi Ye Bao Big Data Cloud Platform, through investment in technology research and development. The major technologies of the business platform are data mining, data collection, data analysis and data processing, providing integrated services to enterprises.

In addition, combining with the community O2O business promotion, the Company is also developing product lines such as mobile app for community services.

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

Save as disclosed below, as at 30 September 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 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.* (杭州共佳信息技术有限公司) (“**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 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 2015, none of the Directors, supervisors, or chief executives of the Company was granted options to subscribe for shares of the Company. As at 30 September 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 been expired on 20 April 2012. No option 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 30 September 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 shares of the Company which would fall to be disclosed under Divisions 2 and 3 of 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 of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were 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
Inigma 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%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
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	16,560,000 H shares	4.65%

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 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 nine months ended 30 September 2015.

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

Hangzhou City, the PRC, 13 November 2015

* *For identification purposes only*