



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

2016

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 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 RMB77,514,000 for the nine months ended 30 September 2016, representing an approximately 119.79% increase as compared with the turnover for the corresponding period in 2015.
- Incurred a net loss of approximately RMB3,755,000 for the nine months ended 30 September 2016, compared to the net loss of approximately RMB4,837,000 for the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016.

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 2016.

2016 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2016, the Group recorded an unaudited turnover of approximately RMB77,514,000 (2015: RMB35,268,000), representing an increase of approximately RMB42,246,000, or approximately 119.79%, as compared with the turnover of the same period in 2015. For the three months ended 30 September 2016, the Group recorded an unaudited turnover of approximately RMB49,485,000 (2015: RMB14,810,000), representing an increase of approximately RMB34,675,000 or approximately 234.13%, as compared with the turnover of the same period in 2015.

For the nine and three months ended 30 September 2016, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB3,755,000 (2015: RMB4,837,000) and RMB 634,000 (2015: RMB1,838,000), respectively.

The unaudited results of the Group for the nine and three months ended 30 September 2016 together with the unaudited comparative figures for the corresponding periods in 2015 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Turnover	2	77,514	35,268	49,485	14,810
Cost of sales		(66,717)	(24,848)	(45,616)	(11,797)
Gross profit		10,797	10,420	3,869	3,013
Finance income, net		1,320	51	469	14
Subsidy income		416	2	35	-
Distribution and selling expenses		(7,737)	(5,865)	(2,220)	(2,360)
General and administrative expenses		(9,016)	(9,897)	(2,827)	(2,747)
Other operating expenses		(77)	(55)	(70)	(29)
Loss before tax		(4,297)	(5,344)	(744)	(2,109)
Income tax	3	-	-	-	-
Loss for the period		(4,297)	(5,344)	(744)	(2,109)
Loss for the period attributable to:					
Owners of the Company		(3,755)	(4,837)	(634)	(1,838)
Non-controlling interests		(542)	(507)	(110)	(271)
		(4,297)	(5,344)	(744)	(2,109)
Loss per share		RMB	RMB	RMB	RMB
– Basic and diluted	4	(0.74) cents	(1.36) cents	(0.13) cents	(0.52) 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 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 (the "GEM Listing Rules").

2. TURNOVER

	Nine months ended 30 September		Three months ended 30 September	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Provision of telecommunication solutions	–	–	–	–
Trading of hardware and computer software	66,301	21,653	45,220	10,839
Provision of telecommunication value-added service	11,213	13,615	4,265	3,971
	77,514	35,268	49,485	14,810

3. INCOME TAX

	Nine months ended		Three months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise 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 for the period is 25% (2015: 25%).

No provision for EIT has been made for the Company for the period (2015: Nil) as there was no assessable profit derived by the Company for the period (2015: Nil). One of the subsidiaries of the Company was subject to EIT at a rate of 15% for the period (2015: 15%) as it is classified as an Advanced and New Technology Enterprise.

During the period, no provision for Hong Kong Profits Tax has been made for the subsidiary of the Company established in Hong Kong (2015: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2015: Nil).

4. LOSS PER SHARE

The calculations of the basic loss per share are based on the net loss attributable to owners of the Company for the nine months and the three months ended 30 September 2016 of approximately RMB3,755,000 (2015: RMB4,837,000) and RMB634,000 (2015: RMB1,838,000), respectively, and on the weighted average number of 506,546,000 (2015: 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 2016 and 2015 as there were no diluting events 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 2016 and 2015:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Accumulated losses RMB'000
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)
At 1 January 2016	101,336	10,567	(60,151)
Net loss	–	–	(3,121)
At 30 June 2016	101,336	10,567	(63,272)
Net loss	–	–	(634)
At 30 September 2016	101,336	10,567	(63,906)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (2015: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2016, the Group recorded an unaudited turnover of approximately RMB77,514,000 (2015: RMB35,268,000), representing an increase of approximately RMB42,246,000, or approximately 119.79%, as compared with the turnover of the same period in 2015. For the three months ended 30 September 2016, the Group recorded an unaudited turnover of approximately RMB49,485,000 (2015: RMB14,810,000), representing an increase of approximately RMB34,675,000 or approximately 234.13%, as compared with the turnover of the same period in 2015. The increase in the turnover of the Group for the period is mainly attributable to the substantial growth in the trading of hardware and computer software business during the third quarter in this year as compared with the corresponding period in last year.

For the nine and three months ended 30 September 2016, the Group recorded an unaudited net loss attributable to owners of the Company of approximately RMB3,755,000 (2015: RMB4,837,000) and RMB634,000 (2015: RMB1,838,000), respectively. During the reporting period, the Group continued to face the pressure of deteriorated operating environment and intensified market competition. Although a substantial growth was recorded for the turnover of the trading of hardware and computer software business, given the relatively low gross profit margins of this business segment, its contribution to the improvement of the results of the Group was insignificant. Also, the new business currently developed by the Group has not yet created returns. As a result, the Group continued to incur a loss during the reporting period.

As at 30 September 2016, the Group's unaudited total bank balances and cash amounted to approximately RMB41,721,000 (30 June 2016: RMB93,525,000). The total bank balances and cash to total assets and net assets ratios as at 30 September 2016 were approximately 37.66% (30 June 2016: 80.20%) and 41.13% (30 June 2016: 91.52%), respectively. The total bank balances and cash of the Group as at 30 September 2016 represented a decrease of approximately 55.39% as compared to the total bank balances and cash of the Group as at 30 June 2016, which decrement was mainly attributable to (i) payments made to trade creditors for purchases of hardware and computer software; and (ii) payments for daily working capital.

Business and operation review

1. *Product development*

During the reporting period, the products of the telecommunication value-added business of the Group such as SMS business card, map business card and Bai Shi Tong Alliance continued to be in cooperation with operators. As for new product research and development, the progress was slower than expected, and significant amount of pre-market research and analysis had to be performed. At present, market competition is intensified and there was longer time for research and development and promotion cycle of new products, which created more uncertainties. Therefore, the Group maintained cautious attitude in respect of input of technology development and talent employment. The Group also proactively looked for new market demands and resources, so that the Group's products and technology can have breakthrough as soon as possible.

2. *Market and business development*

During the reporting period, the products of the telecommunication value-added business of the Group such as SMS business card, map business card and Bai Shi Tong Alliance continued to maintain normal operation with operators. However, the business revenue from such existing telecommunication value-added services continued to decrease due to the change of existing industry environment resulting from the intensified competition. Nevertheless, the Group's trading of hardware and computer software business had growth as compared to the same period last year.

3. *Investment and cooperation*

Currently, the cash position of the Group has been improved. During the reporting period, the Group maintained an excellent cooperation with operators for the existing business and continued to seek new business opportunity and development. Besides, the Group also proactively examined a number of potential projects, but there has been no substantial progress up till present.

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 31 December 2015, bank balance of approximately RMB2,075,000 was frozen by Hangzhou Arbitration Commission (the “**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. On 20 January 2016, the Commission handed down the final judgement that the claims were dismissed from both parties and that no compensation is required from each other and, on 27 January 2016, the frozen bank balance of approximately RMB2,075,000 was released upon the judgement handed by the Commission.

Future prospects

1. **Order on hand/sales contracts**

The existing business of the Group continued to develop. The value-added business of the Group such as SMS business card, map business card and Bai Shi Tong Alliance continued to maintain excellent operation with operators. During the reporting period, revenue from the trading of hardware and computer software business increased, but since the gross profit margins of such business were low, insignificant contribution was made to improve earnings of the Group.

2. Prospects for new business or new products

The Group will continue to maintain the development and marketing for existing business. At the same time, the Group will also proactively looking for new projects and opportunities, so as to establish the future core business direction of the Group through merger or investment.

Up to 30 September 2016, among the net proceeds of approximately RMB39,766,000 raised by the Company at the end of 2015 from the placing of its H shares, an amount of approximately RMB1,144,000 had been utilised for daily working capital. As at 30 September 2016, the Group had total bank balances and cash in the amount of approximately RMB41,721,000, a summary of the intended uses thereof has been set out in the 2015 annual report of the Company and the announcement of the Company dated 31 March 2016. The Company will publish further announcement(s) to inform its shareholders of any update information or material adjustment to the intended uses of the Group's bank balances and cash.

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

Save as disclosed below, as at 30 September 2016, 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	7.18%
	Interest of a controlled corporation	33,961,432 domestic shares (Note)	6.70%

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

Save as disclosed herein, during the nine months ended 30 September 2016, 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 2016, none of the Directors, supervisors or chief executives of the Company or any of their spouses and children under eighteen 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 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 30 September 2016, 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 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 the Company; 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	16.15%
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	6.74%
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	6.74%
Hangzhou Gongja	Beneficial owner	33,961,432 domestic shares (Note 1)	6.70%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Shanghai Aifusheng corporation	Interest of a controlled corporation	33,961,432 domestic shares (Note 1)	6.70%
Rise Sea Limited ("Rise Sea")	Beneficial owner	49,000,000 H shares (Note 2)	9.67%
Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司) ("Zhejiang Shenghua")	Interest of a controlled corporation	49,000,000 H shares (Note 2)	9.67%
Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("Deqing Huisheng")	Interest of a controlled corporation	49,000,000 H shares (Note 2)	9.67%
Mr. Xia Shilin	Interest of a controlled corporation	49,000,000 H shares (Note 2)	9.67%
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H shares	9.28%
Ms. Ko Chiu Yu	Beneficial owner	36,500,000 H shares	7.21%
Ms. Gao Jie	Beneficial owner	17,500,000 H shares	3.45%
Mr. Fong For	Beneficial owner	16,560,000 H shares	3.27%

Notes:

- (1) 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. For the purposes of the SFO, Shanghai Aifusheng is deemed to be interested in the 33,961,432 domestic shares held by Hangzhou Gongjia.
- (2) These 49,000,000 H shares are registered under the name of Rise Sea. Rise Sea is a limited liability company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua, a limited liability company established in the PRC. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited liability company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H shares held by Rise Sea.

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 2016 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 2016.

For and on behalf of the Board
Zheda Lande Scitech Limited*
Chen Ping
Chairman

Hangzhou City, the PRC, 28 October 2016

* *For identification purposes only*