



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

2017
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 (the “**Director(s)**”) of Zheda Lande Scitech Limited* (the “**Company**”) 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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, 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 RMB46,818,000 for the three months ended 31 March 2017, representing an increase of approximately 338.74% as compared with the turnover for the corresponding period in 2016.
- Incurred a net loss of approximately RMB1,840,000, as compared with the net loss of approximately RMB2,655,000 for the corresponding period in 2016.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017.

The board (the “**Board**”) of Directors of 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 2017.

2017 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2017, the Group recorded an unaudited turnover of approximately RMB46,818,000 (2016: RMB10,671,000), representing an increase of approximately RMB36,147,000, or approximately 338.74%, as compared with the unaudited turnover of the same period in 2016.

For the three months ended 31 March 2017, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB1,840,000 (2016: RMB2,655,000).

The unaudited results of the Group for the three months ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016 are as follows:

	Notes	For the three months ended 31 March	
		2017 RMB'000	2016 RMB'000
Turnover	2	46,818	10,671
Cost of sales		(42,848)	(7,093)
Gross profit		3,970	3,578
Other operating income		-	50
Distribution and selling expenses		(2,204)	(2,961)
General and administrative expenses		(3,486)	(3,402)
Finance costs, net		(200)	(177)
Loss before tax		(1,920)	(2,912)
Income tax	3	-	-
Loss for the period		(1,920)	(2,912)
Loss for the period attributable to:			
Owners of the Company		(1,840)	(2,655)
Non-controlling interests		(80)	(257)
		(1,920)	(2,912)
Loss per share			
– Basic and diluted (RMB)	4	(0.36) 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 GEM Listing Rules.

2. TURNOVER

	For the three months ended 31 March	
	2017	2016
	RMB'000	RMB'000
Provision of telecommunication solutions	–	–
Trading of hardware and computer software	43,175	7,186
Provision of telecommunication value-added services	3,643	3,485
	46,818	10,671

3. INCOME TAX

	For the three months ended 31 March	
	2017	2016
	RMB'000	RMB'000
PRC Enterprises Income Tax (the "EIT")	–	–

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises for the period was 25% (2016: 25%).

No provision for EIT has been made for the Group for the period (2016: Nil) as there was no assessable profit derived by the Group for the period (2016: Nil). One of the subsidiaries of the Company was subject to EIT at a rate of 15% for the period (2016: 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 (2016: Nil) as it did not have any assessable profits subject to Hong Kong Profits Tax for the period (2016: Nil).

4. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 31 March 2017 of approximately RMB1,840,000 (2016: RMB2,655,000) and on the weighted average number of approximately 506,546,000 (2016: 506,546,000) shares in issue during the period.

Diluted loss per share was the same as basic loss per share for both the three months ended 31 March 2017 and 2016 as there were no diluting events 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 2017 and 2016:

	For the three months ended 31 March	
	2017 RMB'000	2016 RMB'000
Accumulated losses		
At 1 January	(63,681)	(60,151)
Net loss	(1,840)	(2,655)
At 31 March	(65,521)	(62,806)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

REVIEW OF THE FIRST QUARTER

Financial review

For the three months ended 31 March 2017, the Group recorded an unaudited turnover of approximately RMB46,818,000 (2016: RMB10,671,000), representing an increase of approximately RMB36,147,000 or approximately 338.74%, as compared with the unaudited turnover of the same period in 2016. The increase in the turnover of the Group for the period is mainly attributable to the substantial growth in the turnover of the trading of hardware and computer software business during the quarter as compared with the corresponding period in last year.

For the three months ended 31 March 2017, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB1,840,000 (2016: RMB2,655,000). 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 margin 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. There was a reduction in the loss for the period, which was mainly attributable to the increase in total turnover and the strengthening in the cost and expenditure control.

As at 31 March 2017, the Group's unaudited total bank balances and cash amounted to approximately RMB46,244,000 (31 December 2016: RMB49,388,000). The total bank balances and cash to total assets and net asset ratios as at 31 March 2017 were approximately 42.21% (31 December 2016: 43.96%) and 46.29% (31 December 2016: 48.51%), respectively.

Business and operation review

1. *Business and product development*

During the reporting period, the Group continued to cooperate with operators and operated the existing telecommunication value-added service business such as SMS business cards, 114 Bai Shi Tong Alliance business and precise marketing. At the same time, the Group's trading of hardware and computer software business maintained the growth momentum started from the second half of the previous year and achieved a stable income. However, the development and commercialisation of the Group's mobile Internet industry application and service was still at a slow pace, have not yet developed products with core competitiveness and have made no contribution to the Group's results.

2. *Investment and cooperation*

During the reporting period, the Group maintained good relationship with the operators and business partners. At present, the Group has no concrete investment plan.

Future prospects

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

During the reporting period, all the telecommunication value-added business of the Group were still within valid contract periods with the operators. These businesses at various locations were in operation at the sites concerned. At the same time, the Group's trading of hardware and computer software business maintained a stable income. The Group aims at development of the market of the industry application of mobile Internet, which is still in the preliminary stage and has not generated any revenue.

2. *Prospects of new business and new products*

Up to 31 March 2017, the Group has not invested any material amounts in the development of new business and approximately RMB6,663,000 (31 December 2016: RMB3,201,000) out of the proceeds obtained by the Company from the placing of its H shares in the end of 2015 had been utilised for daily working capital.

As described in the 2016 annual report of the Group, there was change of control of the Company during the reporting period. Whereas the new controlling shareholders (the “**New Controlling Shareholders**”) of the Company have been continuing with the Group’s existing principal activities, they are also conducting a detailed review of the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group with the aim of growing and expanding its business and strengthening its financial position. Subject to the results of the review, the New Controlling Shareholders may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long term growth potential of the Group. However, as at the date of this report, no such investment or business opportunities has been identified nor has the New Controlling Shareholders or the Group entered into an agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group.

As at 30 April 2017, the Group had total bank balances and cash amounted to approximately RMB47,356,000, a summary of the intended uses thereof and of other internal resources of the Group has been set out in the 2016 annual report of the Company. The Company will publish further announcement(s) to inform its shareholders of any update information or material adjustment to the intended uses of the proceeds obtained by the Company from the placing of its H shares in the end of 2015 and the internal resources of the Group and the new business plan of the Group.

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

Save as disclosed below, as at 31 March 2017, 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 vice chairman</i>			
Mr. Chen Ping	Beneficial owner	27,294,240 domestic shares	5.39%

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

For the three months ended 31 March 2017, 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 2017, 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) of the Company 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 was 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 2017, 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
<i>Substantial shareholders</i>			
Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司) ("Zhejiang Shenghua")	Beneficial owner and interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%
Rise Sea Limited ("Rise Sea")	Beneficial owner	49,000,000 H shares (Note 2)	9.67%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
Deqing Huisheng Investment Company Limited (德清匯升投資有限公司) ("Deqing Huisheng")	Interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%
Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 domestic shares (Note 1) and 49,000,000 H shares (Note 2)	52.54%
Ms. Qian Xiaomei	Interest of spouse	217,126,930 domestic shares and 49,000,000 H shares (Note 3)	52.54%

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
<i>Other persons</i>			
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H shares	9.28%
Ms. Yin Cailian	Interest of spouse	47,000,000 H shares (Note 4)	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) Zhejiang Shenghua, a limited liability company established in the PRC, is directly interested in these 217,126,930 domestic shares. 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, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in these 217,126,930 domestic shares.
- (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. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, 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.

- (3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's shares under the SFO.
- (4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H shares under the SFO.

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 current audit committee comprises three independent non-executive Directors, Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi whereas Mr. Shen Haiying is the chairman. The first quarterly report of the Group for the three months ended 31 March 2017 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 2017 to 31 March 2017.

On behalf of the Board
Zheda Lande Scitech Limited*
Qi Jinsong
Chairman and Chief Executive Officer

Huzhou City, the PRC, 15 May 2017

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