浙江浙大網新蘭德科技股份有限公司

ZHEDA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8106)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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.

*This announcement, 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 (the "**GEM Listing Rules**") for the purposes 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 announcement 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 announcement misleading.*

HIGHLIGHTS

- Achieved a turnover of approximately RMB140,486,000 for the year ended 31 December 2016, representing an approximately 117.29% increase as compared with the turnover for the year 2015.

- Incurred a loss attributable to owners of the Company of approximately RMB3,530,000 for the year ended 31 December 2016, comparing to a loss attributable to owners of the Company of approximately RMB9,381,000 incurred for the year 2015.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

CONSOLIDATED FINANCIAL INFORMATION

The board (the "**Board**") of Directors of the Company is pleased to present the consolidated financial information of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Turnover	*3*	**140,486**	64,654
Cost of sales		**(125,308)**	(50,432)
Gross profit		**15,178**	14,222
Other operating income		**3,812**	938
Distribution and selling expenses		**(10,675)**	(10,699)
General and administrative expenses		**(12,388)**	(14,910)
Loss before tax		**(4,073)**	(10,449)
Income tax credit	*4*	**140**	–
Loss and total comprehensive expense for the year	*5*	**(3,933)**	(10,449)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(3,530)**	(9,381)
Non-controlling interests		**(403)**	(1,068)
		(3,933)	(10,449)
Loss per share			
Basic and diluted (RMB)	*7*	**(0.70) cents**	(2.54) cents

Consolidated Statement of Financial Position

As at 31 December 2016

	NOTES	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Plant and equipment		**773**	1,297
Intangible assets		**–**	–
Goodwill		**–**	–
		773	1,297
Current assets			
Inventories		**1,861**	2,191
Trade receivables	*8*	**57,135**	1,883
Prepayments and other receivables		**3,197**	4,559
Restricted bank balance		**–**	2,075
Bank balances and cash		**49,388**	104,586
		111,581	115,294
Current liabilities			
Trade and other payables	*9*	**8,749**	8,445
Receipt in advance from customers		**179**	787
Income tax payables		**1,615**	1,615
		10,543	10,847
Net current assets		**101,038**	104,447
Net assets		**101,811**	105,744
Capital and reserves			
Paid-in capital		**50,655**	50,655
Reserves		**48,222**	51,752
Equity attributable to owners of the Company		**98,877**	102,407
Non-controlling interests		**2,934**	3,337
Total equity		**101,811**	105,744

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Paid-in capital	**Share premium**	**Statutory surplus reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	35,655	76,570	10,567	(50,770)	72,022	4,405	76,427
Loss and total comprehensive expense for the year	–	–	–	(9,381)	(9,381)	(1,068)	(10,449)
Issue of new shares by way of placing	15,000	25,171	–	–	40,171	–	40,171
Share issue expenses	–	(405)	–	–	(405)	–	(405)
At 31 December 2015 and at 1 January 2016	50,655	101,336	10,567	(60,151)	102,407	3,337	105,744
Loss and total comprehensive expense for the year	–	–	–	(3,530)	(3,530)	(403)	(3,933)
At 31 December 2016	50,655	101,336	10,567	(63,681)	98,877	2,934	101,811

Notes:

1. BASIS OF PRESENTATION

The Company was established in the People's Republic of China (the "**PRC**") as a joint stock company with limited liability and its H shares (the "**H Shares**") are listed on GEM.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS(s)**") issued by the International Accounting Standards Board (the "**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

2. APPLICATION OF NEW AND REVISED IFRSs

In the current year, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("**IAS(s)**"), amendments and new interpretations ("**Int(s)**") issued by the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 (2014)	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[5]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Investment property[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective on a future date further to be determined.
5 The amendments to IFRS 12 is effective for annual periods beginning on or after 1 January 2017 and the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

The Directors anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of IFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors anticipate that the adoption of IFRS 9 (2014) in the future may have significant impact on amounts reported and disclosures made in respect of the Group's financial assets and liabilities in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 (2014) until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

IFRS 15 will become effective for the annual periods beginning on or after 1 January 2018 with early application permitted. The application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under IFRS 15. At this stage, the Group is in the process of assessing the impact of IFRS 15 on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

IFRS 16 will become effective for the annual periods beginning on or after 1 January 2019. IFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments as disclosed in the Group's consolidated financial statements will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

3. TURNOVER AND SEGMENT INFORMATION

Turnover comprises income from provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added services, net of business tax and discounts during the year.

The Group's operating segments, based on information reported to the chief operating decision maker, being the executive directors, are for the purpose of resource allocation and performance assessment. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's reportable segments are as follows:

1. Provision of telecommunication solutions

2. Trading of hardware and computer software

3. Provision of telecommunication value-added services

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Provision of telecommunication solutions		**Trading of hardware and computer software**		**Provision of telecommunication value-added services**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment turnover	**231**	746	**125,270**	47,468	**14,985**	16,440	**140,486**	64,654
Segment results	**145**	137	**747**	(417)	**(2,273)**	(3,131)	**(1,381)**	(3,411)
Unallocated revenue							**3,527**	442
Unallocated expenses							**(6,219)**	(7,480)
Loss before tax							**(4,073)**	(10,449)

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment profit/loss represents the profit or loss from each segment without allocation of central administration costs, directors' salaries, bank interest income, exchange gain, gain/loss on disposal of plant and equipment, write-off of other payables and certain other operating income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Provision of telecommunication solutions		Trading of hardware and computer software		Provision of telecommunication value-added services		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As at 31 December								
Segment assets	**–**	1	**59,961**	5,961	**708**	1,634	**60,669**	7,596
Unallocated assets							**51,685**	108,995
Total assets							**112,354**	116,591
Segment liabilities	**3**	21	**2,032**	1,997	**73**	462	**2,108**	2,480
Unallocated liabilities							**8,435**	8,367
Total liabilities							**10,543**	10,847

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain plant and equipment, bank balances and cash, restricted bank balance, balances with related parties and certain prepayments and other receivables which are unable to allocate into reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than certain other payables, income tax payables and balances with related parties. Liabilities for which reportable segments are jointly liable are allocated on the basis of the revenues earned by individual reportable segments.

4. INCOME TAX CREDIT

	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax (the "**EIT**")	**–**	–
Overprovision in previous years	**(140)**	–
	(140)	–

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% for the years ended 31 December 2016 and 2015.

No provision for EIT for the Group for the years ended 31 December 2016 and 2015 as there was no assessable profit derived by the Group for both years. One of the subsidiaries was subject to EIT at a rate of 15% (2015: 15%) for the year ended 31 December 2016 as it is classified as a High and New Technology Enterprise.

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 during the years ended 31 December 2016 and 2015.

5. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Total staff costs	**4,849**	6,551
Auditors' remuneration	**489**	426
Depreciation of plant and equipment	**689**	695
Loss on disposal of plant and equipment (included in general and administrative expenses)	**15**	–
Operating lease rental for office premises	**1,670**	1,853
Cost of inventories recognised as an expense	**122,713**	45,950

6. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

7. LOSS PER SHARE

The calculations of the basic loss per share are based on loss for the year attributable to owners of the Company of approximately RMB3,530,000 (2015: RMB9,381,000) and on the weighted average number of 506,546,000 (2015: 369,286,000) shares in issue during the year ended 31 December 2016.

Diluted loss per share was the same as basic loss per share for the years ended 31 December 2016 and 2015 as there were no diluting events existed during both years.

8. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**61,372**	6,815
Less: Impairment losses	**(4,237)**	(4,932)
	57,135	1,883

There were no specific credit period granted to customers except for an average credit period of 60 – 180 days (2015: 60 – 90 days) to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables net of impairment losses as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 60 days	**56,755**	1,393
61 to 90 days	**1**	11
91 to 180 days	**31**	26
Over 180 days	**348**	453
	57,135	1,883

9. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,598**	1,376
Other payables and accruals *(Note)*	**7,151**	7,069
	8,749	8,445

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Less than one year	**1,403**	1,060
Over one year but less than two years	**18**	108
More than three years	**177**	208
	1,598	1,376

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note: As at 31 December 2016, included in other payables and accruals are mainly accrued charges, staff costs and director's fee payable and miscellaneous payables.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

For the year ended 31 December 2016, the consolidated turnover of the Group was approximately RMB140,486,000 (2015: RMB64,654,000), representing an increase of approximately RMB75,832,000, or approximately 117.29% as compared with that of 2015. The significant increase in the turnover of the Group for the year was mainly attributable to the substantial growth in the trading of hardware and computer software business segment during the second half of the year.

The loss attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB3,530,000 (2015: RMB9,381,000). The operating environment for the Group remained harsh for the year. Despite the substantive growth in turnover of the trading of hardware and computer software business segment for the year, given the low gross profit margins of this business segment, its contribution to the improvement of the results of the Group was not significant. Also, the development and commericalisation of the Group's mobile Internet industry application and services was not on track as anticipated and no returns have been created from this new business initiative. As a result, the Group continued to incur a loss for the year. The reduction in loss for the year was benefited mainly from (i) significant increase in exchange gain, included in other operating income, which was mainly resulted from the translation of unused Hong Kong dollars denominated proceeds from the placing of new H Shares in the end of 2015 (the "**2015 Placing**") into Renminbi at the reporting date; and (ii) exerting pressure on cost and expenses cutting. Therefore, the reduction in loss for the year was not related to the improvement in business prospects of the Group. The Directors consider that it is uncertain whether the Group will continue to record reduction in loss or net profit going onward.

2. Product and business development

The Group obtained net proceeds from the 2015 Placing amounting to approximately RMB39,766,000 (equivalent to approximately HK$47,516,000) (the "**2015 Placing Proceeds**"), which has relieved the insufficient funds pressure of the Group. However, based on the current market environment and high research and development costs, there is a huge uncertainty to the revenue. As such, the Group has not yet succeeded in developing products with core competitiveness. In 2016, the Group continued to perform well and cooperate with the operators. The existing businesses, including SMS business cards, 114 Bai Shi Tong Alliance business and precise marketing are still in operation, and are exploring rooms for profitability. At present, the year-to-year decrease in revenue from the provision of telecommunication value-added services has been narrowed as compared with last year. At the same time, the trading of hardware and computer software business has shown improvement and achieved a more stable income. However, the Group noted the disadvantages of the existing businesses and has started a study to find a direction for a comprehensive development of new business and strives for the remodeling into future core products as soon as possible.

3. Investment and cooperation

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

4. Principal risks and uncertainties

The Group operates in the PRC. The domestic economy has slowed down, the original business consumption market tends to saturate, and the market competition is becoming more intense. At present, two major businesses of the Group tend to decline and have weak profitability, while competitive new business has not yet formed.

Other risks and uncertainties will be set out in the consolidated financial statements of the Group to be included in the 2016 annual report of the Company.

5. Employees and remuneration policies

As at 31 December 2016, the total number of employees of the Group was approximately 49 (2015: 48). During the year, the staff costs of the Group amounted to approximately RMB4,849,000 (2015: RMB6,551,000).

The Group formulated its human resources management strategies under the guidance of the Group's development strategy, aiming at targets established under its long-term planning. As an important part of the Group's development strategy, the human resources management strategy played an important supporting and propelling role in realising the overall development strategy of the Group. The Group built its human resources management structure from an overall strategic perspective, having the incentive mechanism combined with other links of human resources management and promoting one another. The Group opened up as many entrances as possible and established multiple recruitment channels to set up a talent-attracting mechanism. It also emphasised better use of human resources, and cultivating an agreeable mechanism for application and cultivation of talent.

The Group had set up an annual target salary system featuring performance assessment combined with remuneration management. The annual target salary was determined and paid out in accordance with the assessment results, whereby a comprehensive assessment was made on an employee after reasonable evaluation on his/her performance, capability and attitude. With these two things closely linked to each other, the Group had been able to effectively encourage its staff and guarantee the accomplishment of its targets.

The Group attached great concern on the personal development of its staff and provided them with many types of training to improve themselves in terms of quality and skills. Through assessment on the job responsibilities of its staff and hiring of professional consultancy companies to design staff training system, the Group tailored training courses for each individual, so as to make them better fit in their posts and help them grow in every aspect of their professional career. Only when the employees receive satisfactory improvement, can the Group have a bright future.

The Group currently has not issued any options nor has it adopted any share option scheme or bonus scheme.

6. Environment protection

The Group's business does not involve any natural resource emissions. The key environmental impacts from the Group's operations mainly related to energy and paper consumption. To achieve environment protection, the Group encourages its employees to reduce paper, electricity and energy consumption throughout all of its operations.

7. Compliance

During the year, the Group has complied with all the relevant laws and regulations and has obtained all the permits and business licences from various governmental authorities necessary to carry on its business.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

Financial performance

- For the year ended 31 December 2016, the Group's turnover amounted to approximately RMB140,486,000 (2015: RMB64,654,000).

- For the year ended 31 December 2016, the Group achieved a profit margin of approximately 10.80% (2015: 22.00%).

- For the year ended 31 December 2016, the Group incurred a loss attributable to owners of the Company of approximately RMB3,530,000 (2015: RMB9,381,000).

- For the year ended 31 December 2016, the Group recorded a loss per share of approximately RMB0.70 cents (2015: RMB2.54 cents).

Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2016, the Group was mainly financed by proceeds generated from daily operations and other internal resources.

- As at 31 December 2016, the Group's total bank balances and cash amounted to approximately RMB49,388,000 (2015: RMB106,661,000). The total bank balances and cash to total assets and net assets ratio as at 31 December 2016 were approximately 43.96% (2015: 91.48%) and 48.51% (2015: 100.87%), respectively. The total bank balances and cash of the Group as at 31 December 2016 represented a decrease of approximately 53.70% as compared to the total bank balances and cash of the Group as at 31 December 2015. Such 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.

- As at 31 December 2016, the Group's trade receivables amounted to approximately RMB57,135,000 (2015: RMB1,883,000). The trade receivables of the Group as at 31 December 2016 represented an increase of approximately 2,934.25% as compared to the trade receivables of the Group as at 31 December 2015. Such increment was mainly attributable to the significant growth in the trading of hardware and computer software business segment in the second half of the year. Approximately 99.33% of the Group's trade receivables as at 31 December 2016 were aged within 0 to 60 days.

- As at 31 December 2016, the Group had no borrowings (2015: nil).

- As at 31 December 2016, the Group had a total asset value of approximately RMB112,354,000 (2015: RMB116,591,000).

- As at 31 December 2016, the Group had current liabilities of approximately RMB10,543,000 (2015: RMB10,847,000).

- As at 31 December 2016, the Group had equity attributable to owners of the Company of approximately RMB98,877,000 (2015: RMB102,407,000).

- As at 31 December 2016, the Group had non-controlling interests of approximately RMB2,934,000 (2015: RMB3,337,000).

- As at 31 December 2016, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 9.38% (2015: 9.30%).

- As at 31 December 2016, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 9.45% (2015: 9.41%).

- As all of the Group's account payables of purchases and account receivables of sales are denominated in Renminbi, there is no foreign exchange risk.

- As at 31 December 2016, none of the Group's assets were pledged (2015: nil).

ARBITRATION

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 filed by Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) ("**Ningbo Zhongke**") on 22 June 2013 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 Hangzhou Huaguang to refund the equipment payment and interests amounted to approximately RMB5,899,000 and settle the arbitration fees (the "**Arbitration Application**"). On 5 November 2013, Hangzhou Huaguang filed a counter-arbitration application to demand Ningbo Zhongke to make payments for the goods and overdue interests amounted to approximately RMB685,000 and the arbitration fees (the "**Counter-arbitration Application**"). Details of the Arbitration Application and the Counter-arbitration Application are set out in the announcement of the Company dated 29 November 2013. As at 31 December 2015, bank balance of Hangzhou Huaguang of approximately RMB2,075,000 was frozen by Hangzhou Arbitration Commission (the "**Commission**") in relation to the Arbitration Application. On 20 January 2016, the Commission issued the final judgement that the claims from both parties were dismissed and that no compensation was payable to each other and, subsequently on 27 January 2016, the frozen bank balance of RMB2,075,000 was released.

CONTINGENT LIABILITIES

Save as disclosed in the sub-section headed "Arbitration" above, the Group had no material contingent liabilities as at 31 December 2016 and 2015.

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2016.

During the year ended 31 December 2015, the Company completed the 2015 Placing and issued 150,000,000 new H Shares to placees who are independent third parties; and the registered capital of the Company was increased to RMB50,654,617, comprising 244,421,170 domestic shares (the "**Domestic Shares**") of the Company of nominal value of RMB0.10 each and 262,125,000 H Shares of nominal value of RMB0.10 each, as at 31 December 2015 and 2016.

SHAREHOLDING

Transfer of Domestic Shares

On 2 December 2016, Zhejiang Shenghua Holdings Company Limited* (浙江升華控股有限公司) ("**Zhejiang Shenghua**") and certain holders of the Domestic Shares, namely Insigma Technology Co., Ltd.* (浙大網新科技股份有限公司), Shanghai Longtail Investment Management Co., Ltd.* (上海長尾投資管理有限公司), Guoheng Fashion Media Technology Group Co., Ltd.* (國恒時尚傳媒科技集團股份有限公司), Hangzhou Gongjia Investment Management Co., Ltd.* (杭州共佳投資管理有限公司), Mr. Chen Ping, Mr. Wang Leibo, Mr. Chen Guocai, Mr. Wang Jincheng, Mr. Jin Lianfu and Mr. Huo Zhonghui (collectively the "**Vendors**"), entered into respective share transfer agreements pursuant to which Zhejiang Shenghua conditionally agreed to acquire and the Vendors conditionally agreed to sell an aggregate of 217,126,930 Domestic Shares, representing approximately 42.86% of the total number of issued shares (the "**Shares**") of the Company as at that date (the "**Share Transfers**"). The completion of the Share Transfers was effected on 20 January 2017. Details of the Share Transfers were set out in the joint announcements jointly issued by Zhejiang Shenghua, Rise Sea Limited ("**Rise Sea**", a wholly-owned subsidiary of Zhejiang Shenghua) and the Company dated 7 December 2016 and 20 January 2017, respectively.

Unconditional mandatory cash offer for H Shares

Upon the completion of the Share Transfers, Zhejiang Shenghua was directly interested in 217,126,930 Domestic Shares and indirectly, through its 100% interest held in Rise Sea, interested in 49,000,000 H Shares. Zhejiang Shenghua, Rise Sea and the parties acting in concert with any of them (the "**Offeror Group**") own an aggregate of 266,126,930 Shares, representing approximately 52.54% of the total number of issued Shares. Pursuant to the Hong Kong Code on Takeovers and Mergers, Rise Sea had made an unconditional mandatory general offer in cash (the "**H Share Offer**") for all the outstanding H Shares other than those already owned or agreed to be acquired by Rise Sea and Zhejiang Shenghua on 26 January 2017. The H Share Offer closed on 16 February 2017 and no valid acceptance under the H Share Offer was received by Rise Sea. Accordingly, immediately after the close of the H Share Offer, the Offeror Group is interested in an aggregate of 266,126,930 Shares (comprising 217,126,930 Domestic Shares and 49,000,000 H Shares), representing approximately 52.54% of the total number of issued Shares as at the dates of the close of the H Share Offer and this announcement, and are the new controlling shareholders of the Company (the "**New Controlling Shareholders**"). Details of the H Share Offer and its closing are set out in the composite document (the "**Composite Document**") and the joint announcement of Zhejiang Shenghua, Rise Sea and the Company dated 26 January 2017 and 16 February 2017, respectively.

EVENT AFTER THE REPORTING PERIOD

Save as the completion of the Share Transfers, the H Share Offer and the closing of the H Share Offer as described in the sub-section headed "Shareholding" above, there was no significant event after the reporting period.

FUTURE PROSPECTS

1. Orders in hand/Status in sales contract

During the year, all the telecommunication value-added businesses of the Group were still within valid contract period (or renewed term) with the operators. These businesses at various locations were in operation at the sites concerned. The Group encompasses the industry application of mobile Internet, which is still at initial development stage and has not generated any income.

2. Prospects of new business and new products

The businesses of the Group such as the provision of telecommunication solutions, trading of hardware and computer software and provision of telecommunication value-added services continued to operate. The main works at present are pipelines expansion and products upgrade and improvement. In addition to the above-mentioned existing business structure of the Group, the Group has committed to seek new business opportunities in the mobile Internet industry application market though the progress thereof is not as expected. At present, it is still in the process of market demonstration and preliminary research.

3. Intended uses of the 2015 Placing Proceeds and new business development

As described in the 2015 annual report of the Company, the Group, leveraging on the strengthened financial position resulted from the 2015 Placing Proceeds and the proactive measures to recovering non-trade receivables, has planned to develop and transform its business towards mobile Internet industry application and services, aiming to strive for the remodeling into the future core business. A summary of the intended uses of the 2015 Placing Proceeds and the internal resources (including mainly bank balances and cash) of the Group and the related business plan of the Group had been set out in the 2015 annual report of the Company. However, the new business development is not on track as anticipated, as the development progress was slower than expected and significant amount of pre-market research and analysis had to be performed, which created more uncertainties. Up to 31 December 2016, the Group has not invested any significant amount into the development of new business and approximately RMB3,201,000 out of the 2015 Placing Proceeds had been utilised for daily working capital. As at the date of this announcement, the Group has not made any significant adjustments to the intended uses of the 2015 Placing Proceeds and its internal resources as well as the new business plan. The intended uses of the 2015 Placing Proceeds and the internal resources of the Group and an update on the progress of the new business plan as at the date of this announcement is summarised in the following table:

No.	Nature of projects	Activities	Amounts intended to be used	Progress
1	Investments in research and development in relation to telecommunication solutions and telecommunication value-added services, development of data mining technology and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, so as to transform into "Internet +".	a. At present, the business platform product design prototype has been completed. b. At present, the product is still in research and development stage. c. The new product innovation center has been set up, but due to the lack of core human resources, the new research and development centre is still in its inception stage. d. The Group intends to further recruit more technical and product managers and high-end talents.	a. RMB 3,000,000 for setting up a new research and development centre. (Source of funding: the 2015 Placing Proceeds). b. RMB 2,000,000 for setting up a new product innovation center. (Source of funding: the 2015 Placing Proceeds). c. RMB 2,000,000 for recruitment of technical and product operations personnel and develop a talent plan. (Source of funding: internal resources). d. RMB20,000,000 for operation of the business platform for enterprises and market development, including but not limited to, costs for locating customers, marketing and advertising support. (Source of funding: internal resources).	a. The primary version of the business platform has been completed, at present the version is revising and upgrading according to the needs, at the same time discuss with enterprises about market operations, access customer information, while actively building a marketing team. b. New product innovation center and technology research and development department has been set up, at present due to lack of personnel, research and development and product innovation work were performed by external cooperative companies in accordance with the requirements of the Group.
2	Expand the Group's business networks and market of providing telecommunication solutions and telecommunication value-added services in the PRC; and the development of mobile Internet industry services.	a. Develop O2O community business. b. Expand the marketing and sales personnel of existing products. c. Set up representative offices in Jiangxi Province, Anhui Province and Fujian Province.	In addition to technology research and development, the Group intends to invest amounting to RMB6,000,000 (Source of funding: the 2015 Placing Proceeds).	At present, the business is still on suspended stage, there is not any favorable turn in the market, the Group takes a cautious attitude and will not make reckless investment.
3	Future investments	The Group intends to invest in potential assets and projects relating to the current businesses of telecommunication solutions and telecommunication value-added services, and the "Internet +" transformation.	The original investment plan was to invest RMB10,000,000 and the Group intends to further invest RMB30,000,000, a part of which may be allocated from the O2O program, depending on the circumstances. (Source of funding: the 2015 Placing Proceeds and internal resources).	There is no clear investment target at present, and in the future, there may be re-examining, or fine-tuning of the direction of investment or investment limit.
4	General working capital	a. Procurement of office equipment b. Rental payments c. The costs to maintain the Company as a listed company on GEM d. Administrative expenses e. Reserves	RMB21,000,000 (source of funding: the 2015 Placing Proceeds).	As of the end of 2016, the Group has paid general working capital of approximately RMB3,201,000: of which approximately RMB1,799,000 were paid as the staff wages; approximately RMB187,000 were paid as listing fees and professional party fees; and RMB1,215,000 were paid as other general working capital.

As disclosed in the Composite Document, it is the intention of the New Controlling Shareholders that the Group will continue with its existing principal activities after the close of the H Share Offer. However, the New Controlling Shareholders will conduct 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 announcement, no such investment or business opportunities has been identified nor has the New Controlling Shareholders or the Group entered into arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. The Company will publish further announcement(s) to inform its shareholders of any update information or material adjustment to the intended uses of the 2015 Placing Proceeds and the internal resources of the Group and the new business plan of the Group.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 December 2016 have been reviewed and approved by the Company's audit committee.

SCOPE OF AUDITOR'S WORK ON FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited ("**SHINEWING**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this preliminary announcement.

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 year ended 31 December 2016.

CORPORATE GOVERNANCE

During the year ended 31 December 2016, the Company has endeavoured to comply, in all material aspects, with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules except for the following deviation.

The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Chen Ping was both the chairman and the chief executive officer of the Company who was responsible for managing the Board and the Group's business during the year ended 31 December 2016. The Board considered that, after taking into account the Board structure and scope of business of the Group, there was no imminent need to separate the roles into two individuals as Mr. Chen Ping was perfectly capable of distinguishing the priority of these roles in which he had been acting.

Subsequent to the reporting period, Mr. Chen Ping resigned as the chief executive officer of the Company and Mr. Qi Jinsong was appointed as the new chief executive officer of the Company, both with effect from 17 February 2017. Mr. Chen Ping remains as an executive Director and the chairman of the Company.

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

Hangzhou City, the PRC, 6 March 2017

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Chen Ping, Mr. Wang Linhua and Mr. Wang Yong Gui and three independent non-executive Directors, being Mr. Zhang De Xin, Mr. Cai Xiao Fu and Mr. Gu Yu Lin.

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the website of the Company at www.landpage.com.cn.

* *For identification purposes only*