



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
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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Zheda Lande Scitech Limited*. The directors of Zheda Lande Scitech Limited*, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

HIGHLIGHTS

- Achieved a turnover of approximately RMB10,671,000 for the three months ended 31 March 2016, representing an increase of approximately 18.07% as compared with the turnover for the corresponding period in 2015.
- Incurred a net loss of approximately RMB2,655,000, as compared with the net loss of approximately RMB2,252,000 for the corresponding period in 2015.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zheda Lande Scitech Limited* (the “**Company**”) is pleased to present the first quarterly report of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2016.

2016 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2016, the Group recorded an unaudited turnover of approximately RMB10,671,000, representing an increase of approximately RMB1,633,000, or approximately 18.07%, as compared with the unaudited turnover of the same period in 2015.

For the three months ended 31 March 2016, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB2,655,000, as compared with the unaudited loss attributable to owners of the Company for the same period in 2015 of approximately RMB2,252,000.

The unaudited results of the Group for the three months ended 31 March 2016 together with the unaudited comparative figures for the corresponding period in 2015 are as follows:

	Notes	For the three months ended 31 March	
		2016 RMB'000	2015 RMB'000
Turnover	2	10,671	9,038
Cost of sales		(7,093)	(4,935)
Gross profit		3,578	4,103
Other operating expenses		-	(5)
Distribution and selling expenses		(2,961)	(2,101)
General and administrative expenses		(3,402)	(4,414)
Finance costs, net		(177)	15
Subsidy income		50	2
Loss before tax		(2,912)	(2,400)
Income tax	3	-	-
Loss for the period		(2,912)	(2,400)
Loss for the period attributable to:			
Owners of the Company		(2,655)	(2,252)
Non-controlling interests		(257)	(148)
		(2,912)	(2,400)
Loss per share			
– Basic and diluted	4	RMB(0.52) cents	RMB(0.63) 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 of the Stock Exchange (the "GEM Listing Rules").

2. TURNOVER

	For the three months ended 31 March	
	2016 RMB'000	2015 RMB'000
Provision of telecommunication solutions	–	–
Trading of hardware and computer software	7,186	3,955
Provision of telecommunication value-added services	3,485	5,083
	10,671	9,038

3. INCOME TAX

	For the three months ended 31 March	
	2016 RMB'000	2015 RMB'000
PRC Enterprises Income Tax ("EIT")	–	–

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises 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 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 loss attributable to owners of the Company for the three months ended 31 March 2016 of approximately RMB2,655,000 (2015: RMB2,252,000) and on the number of 506,546,000 (2015: 356,546,000) shares in issue during the period.

Diluted loss per share was the same as basic loss per share for both the three months ended 31 March 2016 and 2015 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 2016 and 2015:

	For the three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
Accumulated losses		
At 1 January	(60,151)	(50,770)
Net loss	(2,655)	(2,252)
At 31 March	(62,806)	(53,022)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (2015: Nil).

REVIEW OF THE FIRST QUARTER

Financial review

For the three months ended 31 March 2016, the Group recorded an unaudited turnover of approximately RMB10,671,000, representing an increase of approximately RMB1,633,000 or approximately 18.07% as compared with the unaudited turnover of the same period in 2015.

For the three months ended 31 March 2016, the Group recorded an unaudited loss attributable to owners of the Company of approximately RMB2,655,000, as compared with the unaudited loss attributable to owners of the Company for the same period in 2015 of approximately RMB2,252,000.

The decline in the results of the Group for the reporting period was mainly attributable to a decrease in the results from all business segments of the Group due to intensified market competition.

As at 31 March 2016, the Group's unaudited total bank balances and cash amounted to approximately RMB101,590,000 (31 December 2015: RMB106,661,000). The total bank balances and cash to total assets and net asset ratios as at 31 March 2016 were approximately 90.29% (31 December 2015: 91.48%) and 98.79% (31 December 2015: 100.87%), respectively.

Business and operation review

1. *Product development*

During the period, the Group continued to cooperate with operators. The existing and traditional businesses, including SMS business cards, precise marketing and 114 Bai Shi Tong Alliance business, continued to closely cooperate with operators, so as to strengthen the product operation. In respect of technology development, based on information gathering from existing customers, the Group developed business platform of enterprise level, and promoted the mobile Internet industry application.

2. **Market and business development**

The Group continued to launch the strategy of Internet + industry. It also strengthened the cooperation with telecommunication operators, strived to have breakthrough in respect of business innovation. In respect of investment, the Group continued to aim at achieving business innovation and enhancement by way of acquisition and merger. As at the date of the this report, there has not been any investment intention reached by the Group.

3. **Arbitration between the Group and Ningbo Zhongke Guotai Information Technology Co., Ltd.* (寧波中科國泰信息技術有限公司) (“Ningbo Zhongke”)**

Hangzhou Huaguang Computer Engineering Co., Ltd.* (杭州華光計算機工程有限公司) (“**Hangzhou Huaguang**”), a wholly-owned subsidiary of the Company, was involved in an arbitration application (the “**Arbitration Application**”) filed by Ningbo Zhongke in relation to the dispute arising from the sales and purchase contract entered into between Hangzhou Huaguang and Ningbo Zhongke. According to the Arbitration Application, Ningbo Zhongke required, among others, that Hangzhou Huaguang to refund the equipment payment and interests amounted to approximately RMB5,899,000 and settle the arbitration fees. As at 31 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. **Orders on hand/Status of sales contracts**

During the period, the Group continued to maintain the business relationship with operators. The Group closely cooperated with operators on its existing businesses, such as missed call reminder, financial assistant, navigation service, call center, SMS business card, customer care and map-markings. The Group maintained its long-term relationship with each large telecommunication operator.

2. Prospects of new business and new products

The Group has gained experience in and is capable of providing telecommunication technology, service and operation. In the future, the Group will continue to serve a large group of telecommunication users with mobile Internet application. For mobile Internet application business, the client-end mobile software introduced by the Group has attracted more stable customer base, which will become important resources and channels for the next round of business expansion of the Group, to develop industry application of enterprise level.

As at the date of this report, the net proceeds of approximately RMB39,766,000 raised by the Company at the end of 2015 from the placing of its H shares has not been utilised. As at 30 April 2016, the Group had total bank balances and cash in the amount of approximately RMB100,184,000, 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 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 31 March 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 the Directors to be notified to the Company and the Stock Exchange:

Long position in shares

Name	Capacity and nature of interest	Number of shares held	Percentage of beneficial interests in the Company's share capital
<i>Director and chief executive officer</i>			
Mr. Chen Ping	Beneficial owner	36,392,320 domestic shares	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, for the three months ended 31 March 2016, 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 2016, none of the Directors, supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") conditionally approved by a resolution of the shareholders of the Company dated 20 April 2002 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 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 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 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 Gongjia	Beneficial owner	33,961,432 domestic shares (Note 1)	6.70%
Shanghai Aifusheng	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%

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	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 first quarterly report of the Group for the three months ended 31 March 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 period from 1 January 2016 to 31 March 2016.

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

Hangzhou City, the PRC, 13 May 2016

* *For identification purposes only*