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**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

THIRD QUARTERLY REPORT

2010

\* for identification purpose 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 (the “Directors”) 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 the GEM (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## HIGHLIGHTS

- Achieved a turnover of approximately RMB70,367,000 for the nine months ended 30 September 2010, representing an approximately 2.63% increase as compared with the turnover for the corresponding period in 2009.
- Incurred a net loss of approximately RMB2,777,000 for the nine months ended 30 September 2010, compared to the net loss of approximately RMB3,020,000 for the corresponding period in 2009.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010.

The board of directors (the “Board”) of Zheda Lande Scitech Limited\* (the “Company”) is pleased to present the third quarterly result of the Company and its subsidiaries (the “Group”) for the nine and three months ended 30 September 2010.

## 2010 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2010, the Group recorded an unaudited turnover of approximately RMB70,367,000, representing a increase of approximately RMB1,805,000, or approximately 2.63%, as compared with the turnover of the same period in 2009. For the three months ended 30 September 2010, the Group recorded an unaudited turnover of approximately RMB31,160,000, representing a increase of approximately RMB11,355,000, or approximately 57.33%, as compared with the turnover of the same period in 2009.

For the nine and three months ended 30 September 2010, the Group recorded an unaudited net loss of approximately RMB2,777,000 and RMB1,757,000, respectively.

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The unaudited results of the Group for the nine and three months ended 30 September 2010 together with the unaudited comparative figures for the corresponding periods in 2009 are as follows:

	Notes	Nine months ended		Three months ended	
		30 September		30 September	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	<b>70,367</b>	68,562	<b>31,160</b>	19,805
Cost of sales		<b>(51,002)</b>	(39,063)	<b>(24,305)</b>	(11,587)
Gross profit		<b>19,365</b>	29,499	<b>6,855</b>	8,218
Other operating (expenses) income, net		<b>(44)</b>	(207)	<b>(13)</b>	56
Distribution and selling expenses		<b>(1,221)</b>	(4,629)	<b>(337)</b>	(1,451)
General and administrative expenses		<b>(21,084)</b>	(27,260)	<b>(8,030)</b>	(8,352)
Finance costs, net		<b>65</b>	68	<b>29</b>	25
Loss on disposal of interests in subsidiaries		<b>-</b>	(1,148)	<b>-</b>	(1,148)
Share of result of associates		<b>174</b>	-	<b>(337)</b>	-
Subsidy income		<b>988</b>	1,765	<b>675</b>	356
Loss before taxation		<b>(1,757)</b>	(1,912)	<b>(1,158)</b>	(2,296)
Taxation	3	<b>(475)</b>	(635)	<b>(420)</b>	(22)
Loss for the period		<b>(2,232)</b>	(2,547)	<b>(1,578)</b>	(2,318)
Attributable to:					
– Equity holders of the Company		<b>(2,777)</b>	(3,020)	<b>(1,757)</b>	(1,717)
– Minority interests		<b>545</b>	473	<b>179</b>	(601)
		<b>(2,232)</b>	(2,547)	<b>(1,578)</b>	(2,318)
Loss per share					
– Basic	4	<b>RMB(0.008)</b>	RMB(0.008)	<b>RMB(0.005)</b>	RMB(0.005)

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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 "Prospectus").

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

	Nine months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of telecommunication solutions	2,634	14,879	323	2,525
Trading of hardware and computer software	45,931	20,399	24,165	6,898
Provision of telecommunication value-added service	21,802	33,284	6,672	10,382
	70,367	68,562	31,160	19,805

## 3. TAXATION

	Nine months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
The charges comprises:				
PRC enterprise income tax ("EIT")	475	635	420	22

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The Company and certain of its subsidiaries were subject to EIT at rate of 15% (2009: 15%) as they were classified as Advanced and New Technology Enterprise.

The business of the Group is conducted in PRC and therefore is not subject to Hong Kong profits tax.

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## 4. LOSS PER SHARE

Loss per share has been computed by dividing net loss for the nine and three months ended 30 September 2010 of approximately RMB2,777,000 and approximately RMB1,757,000 (same periods in 2009: net loss of approximately RMB3,020,000 and approximately RMB1,717,000) by 356,546,000 shares (same periods in 2009: 356,546,000 shares) in issue during the relevant periods.

No diluted loss per share was presented for the nine months and three months ended 30 September 2010 as there was no potential dilutive securities in existence 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 2010 and 2009:

	<b>Share premium</b>	<b>Statutory surplus reserve</b>	<b>Accumulated losses</b>
	RMB'000	RMB'000	RMB'000
At 1 January 2009	76,570	10,567	(36,561)
Net loss	-	-	(1,303)
At 30 June 2009	76,570	10,567	(37,864)
Net loss	-	-	(1,717)
At 30 September 2009	76,570	10,567	(39,581)
At 1 January 2010	<b>76,570</b>	<b>10,567</b>	<b>42,646</b>
Net loss	-	-	<b>(1,020)</b>
At 30 June 2010	<b>76,570</b>	<b>10,567</b>	<b>(43,666)</b>
Net loss	-	-	<b>(1,757)</b>
At 30 September 2010	<b>76,570</b>	<b>10,567</b>	<b>(45,423)</b>

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## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

## REVIEW OF THE THIRD QUARTER

### Financial review

For the nine months ended 30 September 2010, the Group recorded an unaudited turnover of approximately RMB70,367,000, representing an increase of approximately RMB1,805,000, or approximately 2.63%, as compared with the turnover of the same period in 2009. For the three months ended 30 September 2010, the Group recorded an unaudited turnover of approximately RMB31,160,000, representing an increase of approximately RMB11,355,000 or 57.33%, as compared with the turnover of the same period in 2008.

For the nine and three months ended 30 September 2010, the Group recorded an unaudited net loss of approximately 2,777,000RMB and RMB1,757,000, respectively.

### Business review

#### 1. *Product development*

During the period, the Company had been focusing on the R&D of new products and businesses for the sustainable growth of the Company. The Company had leveraged on its telecommunication edge to further explore information for the development of related products for the Precise Marketing System, so as to provide a precise marketing platform for enterprises. The Company also conducted R&D on corporate service products such as Hosted Call Center, IP Call Center and Telemarketing Center etc. to provide corporate communication services to companies, to help companies establish their internet image and develop their internet network. The Company developed the Jiaoyubao Platform while dealing the Coordinated Communication ECP for Zhejiang Telecom, which consisted of an information segment, a resources segment, an interaction segment and an IM segment, perfectly blending Jiaoyubao with the ECP terminal.

## **2. *Market and business development***

During the period, the Company mainly focused on telecommunication value-added business, application business and communication products agency business. For value-added business, our business such as Corporate Marketing Services, Corporate Communication Services, Personal Communication Services, Personal Entertainment Products, Information Services and Internet-Service-Providers Services, and products such as the Bai Shi Tong alliance, SMS business card, related information delivery, call alert, switch on alert, voice dialing, click-to-dial, map business card and the 114 business information as well as industry & commerce information platform provided by China Telecom were promoted all across Zhejiang Province, and gradually expanded into other provinces. The Company has become the general agent of the ECP products of Zhejiang Telecom and combined it with its own products for joint development and marketing. For application business, we mainly provided management information support and related software development and system maintenance for the three major telecom operators. We were also authorized by ZTE (中興公司) for distribution of communication products to Guangdong China Mobile.

## **3. *Investment and cooperation***

During the period, the Group continued to strengthen technology exchange and training with Zhejiang University and other scientific research institutions, and continued to propel its business development through cooperation with the three telecom operators, China Mobile, China Unicom, and China Telecom. Meanwhile, the Company also entered into an agreement with ZXTX (中信通訊) for acting as its regional agent for the distribution of mobile phones.

## **Future prospects**

### **1. *Status of orders in hand/sales contracts***

Our value-added service business has a large customer base and maintains a stable source of customers, the respective business contracts of which will continue to be executed or renewed. For instance, we recorded stable revenue in our Telecom Number 114 Bai Shi Tong service. We will gradually expand our value-added business into other provinces and develop the customer base for our value-added business. We can sell our Jiaoyubao products while dealing the ECP or vice versa. For application services, we have a stable customer base in the three major telecom operators. And there will be potential demand on software upgrading and development of new software system to allow them to switch to the new environment. The Company has entered into a contract with ZTE, under which, ZTE authorizes the Company as the business agent for distribution of communication products to Guangdong China Mobile.

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## **2. *Prospects of new business and new products***

Through the use of our own in-depth information decoding know-how to continuously develop new products and by leveraging on its competitive edge in telecommunication and correlation of consumer behaviors, the Company has developed PMS which combines precision advertising, customer leading, customer care and effect assessment all in one. PMS offers services such as related information delivery, industry promotion, customer care and keyword bidding, which help enterprises explore new customers and maintain existing customers. Combined with Telecom Number 114 Bai Shi Tong service, it automatically matches proper enterprises according to users' needs, identify and recommend opportunities for enterprises. It has a promising market prospect and will become one of our core products in the future.

While dealing Telecom's ECP products, the Company will continue to develop its own products and businesses. With an organic combination of its own products with ECP, we will try to achieve a perfect complementation to each other and mutual development of both products.

With the business development of the three major telecom operators, our application has to adapt to such changes and new environment in respect of software upgrading and development of new software for them.

The Company will strengthen cooperation with ZTE to broaden the number and types of communication products for distribution for ZTE.

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

Save as disclosed below, as at 30 September 2010, none of the Directors, Supervisors or chief executives 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**

<b>Name</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of Domestic Shares held</b>	<b>Percentage of beneficial interests in the Company's share capital</b>
<i>Director &amp; Chief Executive Officer</i>				
Chen Ping	Personal	Beneficial owner	36,392,320	10.21%

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

For the nine months ended 30 September 2010, none of the Directors, Supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 2010, none of the Directors, Supervisors or chief executives 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, any rights to subscribe for shares (or warrants or debentures, if applicable) or to acquire shares of the Company.

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### **SHARE OPTION SCHEME**

The Company has conditionally adopted the share option scheme. A summary of the principal terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in the Prospectus. Up to 30 September 2010, no option has been granted pursuant to such share option scheme.

### **INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed below, so far as was known to any Directors, Supervisors or chief executives, as at 30 September 2010, 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 share 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 any member of the Group; or who were substantial shareholders as recorded in the register maintained under section 336 of the SFO:

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## Long position in shares

<b>Shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of beneficial interests in the Company's share capital</b>
Insignia Technology Co. Ltd.	Beneficial owner	81,802,637 Domestic Shares	22.94%
Shanghai Longtail Investment Management Co. Ltd.	Beneficial owner	34,117,808 Domestic Shares	9.57%
Guoheng Fashion Media Technology Group Co. Ltd.	Beneficial owner	34,117,800 Domestic Shares	9.57%
Fong For	Beneficial owner	21,735,000 H Shares	6.10%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.63%
Liu Qiao Ping	Beneficial owner	10,235,340 Domestic Shares	2.87%
Shi Chun Hua	Beneficial owner	7,235,812 Domestic Shares	2.03%

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### 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 2010 have 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 2010.

On half of the Board

**Chen Ping**

*Chairman*

Hangzhou, the PRC, 12 November 2010