



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



First Quarterly Report 2009

* For identification purpose only

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This report for which the directors of Zheda Lande Scitech Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to Zheda Lande Scitech Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB30,379,000 for the three months ended 31 March 2009, representing an approximately 17.02% decrease as compared with the turnover for the corresponding period in 2008.
- Incurred a loss of approximately RMB1,844,000, representing an approximately 9.65% decrease as compared with the net loss for the corresponding period in 2008.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009.

The board of directors (the "Board") 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 2009.

2009 FIRST QUARTERLY RESULTS

For the three months ended 31 March 2009, the Group recorded an unaudited turnover of approximately RMB30,379,000, representing a decrease of approximately RMB6,233,000, or approximately 17.02%, as compared with the turnover of the same period in 2008.

For the three months ended 31 March 2009, the Group recorded an unaudited loss of approximately RMB1,844,000, as compared with the loss of the same period in 2008 of approximately RMB2,041,000.

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The unaudited results of the Group for the three months ended 31 March 2009 together with the unaudited comparative figures for the corresponding period in 2008 are as follows:

| | Notes | For the three months ended 31 March | |
|-------------------------------------|-------|-------------------------------------|--------------------------|
| | | 2009 RMB'000 | 2008 RMB'000 |
| Turnover | 2 | 30,379 | 36,612 |
| Cost of sales | | <u>(19,483)</u> | <u>(23,149)</u> |
| Gross profit | | 10,896 | 13,463 |
| Other operating expenses | | (243) | (217) |
| Distribution and selling expenses | | (1,617) | (2,177) |
| General and administrative expenses | | (9,944) | (13,732) |
| Finance costs, net | | 24 | 14 |
| Subsidy income | | <u>327</u> | <u>122</u> |
| Loss before tax | | (557) | (2,527) |
| Income tax expense | 3 | <u>(462)</u> | <u>(259)</u> |
| Loss for the period | | <u>(1,019)</u> | <u>(2,786)</u> |
| Attributable to: | | | |
| – Equity holders of the Company | | (1,844) | (2,041) |
| – Minority interests | | <u>825</u> | <u>(745)</u> |
| | | <u>(1,019)</u> | <u>(2,786)</u> |
| Interim dividend | | <u>–</u> | <u>–</u> |
| Loss per share | | | |
| – Basic | 4 | <u>RMB(0.005)</u> | <u>RMB(0.006)</u> |

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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 the 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 Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

2. Turnover

| | For the three months ended 31 March | |
|---|--|---------------|
| | 2009 | 2008 |
| | RMB'000 | RMB'000 |
| Provision of telecommunication solutions | | |
| – System integration | 354 | 2,085 |
| – Sales of self-developed software | 5,669 | 1,020 |
| | <u>6,023</u> | <u>3,105</u> |
| Trading of hardware and computer software | 14,196 | 15,437 |
| Provision of telecommunication value-added services | 10,160 | 18,070 |
| | <u>30,379</u> | <u>36,612</u> |

3. Income tax expense

| | For the three months ended 31 March | |
|----------------|--|----------------|
| | 2009 | 2008 |
| | RMB'000 | <i>RMB'000</i> |
| PRC income tax | <u>462</u> | <u>259</u> |

Pursuant to the PRC Enterprise Income Tax, the Company is subject to Enterprise Income Tax ("EIT") at a rate of 25%.

The subsidiaries of the Company are subject to EIT at rates ranging from 0-25% in accordance with respective local tax laws and regulations.

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

4. Loss per share

Loss per share has been computed by dividing loss for the three months ended 31 March 2009 of approximately RMB1,844,000 (2008: RMB2,041,000) by the number of 356,546,000 (2008: 339,577,000) shares in issue during the period.

Diluted loss per share is not presented because of no potential diluted shares existed during the period.

5. Reserves

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2009 and 2008:

| | For the three months ended 31 March | |
|---------------------------------------|--|-----------------|
| | 2009 | 2008 |
| | RMB'000 | <i>RMB'000</i> |
| Retained profits | | |
| At 1 January | (36,561) | (29,205) |
| Net loss attributable to shareholders | <u>(1,844)</u> | <u>(2,041)</u> |
| At 31 March | <u>(38,405)</u> | <u>(31,246)</u> |

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INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (2008: Nil).

REVIEW OF THE FIRST QUARTER

FINANCIAL REVIEW

For the three months ended 31 March 2009, the Group recorded an unaudited turnover of approximately RMB30,379,000, representing a decrease of approximately RMB6,233,000 or approximately 17.02% as compared with the turnover of the same period in 2008.

For the three months ended 31 March 2009, the Group recorded an unaudited loss of approximately RMB1,844,000, as compared with the loss of the same period in 2008 of approximately RMB2,041,000.

BUSINESS REVIEW

Product development

During the period under review, the Company has made tremendous efforts on research of new products and development of new businesses, with a view to lay a solid foundation for sustainable growth of the Company. Leveraging on its competitive edge in telecommunication industry, the Company conducted in-depth research on decoding of information data and thus developed correlated product of precision market system ("PMS"), thereby providing a large number of enterprises with the precision marketing platform. The Company also conducted research and development on new products including enterprise TV, menhutong (門戶通) and real-time messengers (實時通), to help enterprises shape their brands and expand their businesses through the Internet.

Market and business development

During the period under review, the Group mainly focused on telecommunication value-added businesses, application businesses and system integration businesses. As for value-added businesses, a number of products based on the Number 114 Bai Shi Tong service provided by China Telecom, such as enterprise Bai Shi Tong alliance, enterprise SMS business card, personal communication assistant, map business card, missed call notification, 114 business information, industrial and commercial information platform, were comprehensively launched in Zhejiang Province and gradually expanding to adjacent provinces where some have even commenced operations. As for application businesses, the Group mainly provided management information support as well as development and system maintenance for related software to the three major telecommunication operators. In addition, we also provide purchase, installation and maintenance services for system integration project and system networking products.

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 implemented. 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 client base for our value-added business as planned. For application services, we have a stable client base in the three major telecom operators. In particular the restructuring and business adjustment of the three major telecom operators will provide potential substantial demand on software upgrading and development of new software system to allow them to switch to the new environment. Given such existing customers, we will enter into contracts in relation to the sourcing, installation and maintenance services for system integration projects and system network equipment.

2. Prospects of new business and new products

Through the use of self-developed in-depth information decoding know-how and by leveraging on its competitive edge in telecommunication and correlation of consumer behaviours, 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. PMS has received positive customer feedback since preliminary launch thanks to its precision customer positioning, accurate information distribution and powerful data support. It provides a promising market prospect and will become a core product of the Company in future.

The newly-developed Zhanshibao Enterprise TV Station, Enterprise On-line Communication Platform and Portal Enterprise Customer Platform provide enterprises with Internet image packaging and channel expansion services and attract potential enterprise customers.

In face of restructuring and business adjustment of telecom operators, our application business has to adapt to such changes in relation to software upgrading and development of new software for the telecom operators.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 March 2009, 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

| Name | Type of interests | Capacity | Number of domestic shares held | Percentage of beneficial interests in the Company's share capital |
|--------------------------------|--------------------------|------------------|---------------------------------------|--|
| <i>Director</i> | | | | |
| Chen Ping | Personal | Beneficial owner | 36,392,320 | 10.21% |
| <i>Chief Executive Officer</i> | | | | |
| Liu Qiao Ping | Personal | Beneficial owner | 10,235,340 | 2.87% |

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

For the three months ended 31 March 2009, none of the Directors, Supervisors or chief executives was granted options to subscribe for shares of the Company. As at 31 March 2009, 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, 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 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 31 March 2009, 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 31 March 2009, 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 shares as recorded in the register maintained under section 336 of the SFO:

Long position in shares

| Shareholder | Capacity | Number of shares held | Percentage of beneficial interests in the Company's share capital |
|---|------------------|-------------------------------|---|
| Insigma 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 Shengxing Media Science Group Company Limited | 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% |
| Shi Chu 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 comprise 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 2009 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 2009 to 31 March 2009.

On behalf of the Board

Chen Ping
Chairman

15 May 2009, Hangzhou, the PRC