



ZDL
浙大蘭德

ZHEDA LANDE SCITECH LIMITED *

浙江浙大網新蘭德科技股份有限公司

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

Stock Code: 8106



Third Quarterly Report 2008

2008

* 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 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 the 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 RMB83,997,000 for the nine months ended 30 September 2008, representing an approximately 13.51% decrease as compared with the turnover for the corresponding period in 2007.
- Incurred a net loss of approximately RMB3,407,000 for the nine months ended 30 September 2008 compared to the net loss of approximately RMB7,698,000 for the corresponding period in 2007.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008.

The board of directors (the "Board") of Zheda Lande Scitech Limited (the "Company") is pleased to present the third quarterly report of the Company and its subsidiaries (the "Group") for the nine and three months ended 30 September 2008.

2008 THIRD QUARTERLY RESULTS

For the nine months ended 30 September 2008, the Group recorded an unaudited turnover of approximately RMB83,997,000, representing a decrease of approximately RMB13,124,000, or approximately 13.51%, as compared with the turnover of the same period in 2007. For the three months ended 30 September 2008, the Group recorded an unaudited turnover of approximately RMB20,311,000, representing a decrease of approximately RMB11,306,000, or approximately 35.76%, as compared with the turnover of the same period in 2007.

For the nine and three months ended 30 September 2008, the Group recorded an unaudited net loss of approximately RMB3,407,000 and RMB2,210,000 respectively.

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The unaudited results of the Group for the nine and three months ended 30 September 2008 together with the unaudited comparative figures for the corresponding periods in 2007 are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	2	83,997	97,121	20,311	31,617
Cost of sales		(49,359)	(67,112)	(8,895)	(15,941)
Gross profit		34,638	30,009	11,416	15,676
Other operating (expenses) income, net		(2,403)	(182)	(93)	338
Distribution and selling expenses		(6,926)	(8,819)	(2,097)	(2,986)
General and administrative expenses		(33,620)	(27,950)	(10,982)	(10,449)
Finance costs, net		88	(1,908)	25	(41)
Gain (loss) on disposal of interests in subsidiaries		4,711	–	(340)	–
Share of (losses) profits of associates		–	(2,034)	33	(1,871)
Subsidy income		696	1,488	295	(984)
Loss before taxation		(2,816)	(9,396)	(1,743)	(317)
Taxation	3	(957)	(423)	(114)	(263)
Loss for the period		<u>(3,773)</u>	<u>(9,819)</u>	<u>(1,857)</u>	<u>(580)</u>
Attributable to:					
– Equity holders of the Company		(3,407)	(7,698)	(2,210)	(98)
– Minority interests		(366)	(2,121)	353	(482)
		<u>(3,773)</u>	<u>(9,819)</u>	<u>(1,857)</u>	<u>(580)</u>
Loss per share	4	<u>RMB(0.010)</u>	<u>RMB(0.023)</u>	<u>RMB(0.007)</u>	<u>RMB(0.001)</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 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

	Nine months ended 30 September 2008		Three months ended 30 September 2008	
	RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Provision of telecommunications solutions	10,538	28,861	574	12,531
Trading of hardware and computer software	30,134	35,410	2,957	8,156
Provision of telecommunication value-added service	43,325	32,850	16,780	10,930
	<u>83,997</u>	<u>97,121</u>	<u>20,311</u>	<u>31,617</u>

3. TAXATION

	Nine months ended 30 September 2008		Three months ended 30 September 2008	
	RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
PRC income tax	<u>957</u>	<u>423</u>	<u>114</u>	<u>263</u>

Pursuant to the PRC Corporate Income Tax Law, commencing from 2008, 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.

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4. LOSS PER SHARE

Loss per share have been computed by dividing net loss for the nine and three months ended 30 September 2008 of approximately RMB3,407,000 and approximately RMB2,210,000 (same periods in 2007: net loss of approximately RMB7,698,000 and approximately RMB98,000) by 339,577,000 shares (same period in 2007: 339,577,000 shares) in issue during the period.

5. RESERVES

Save as disclosed below, there were no movements in the reserves of the Group for the relevant periods in 2008 and 2007:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare reserve RMB'000	Retained earnings RMB'000
At 1 January 2007	71,988	10,567	–	(16,349)
Net loss	–	–	–	(7,600)
At 30 June 2007	71,988	10,567	–	(23,949)
Net loss	–	–	–	(98)
At 30 September 2007	<u>71,988</u>	<u>10,567</u>	<u>–</u>	<u>(24,047)</u>
At 1 January 2008	71,988	10,567	–	(29,205)
Net loss	–	–	–	(1,197)
At 30 June 2008	71,988	10,567	–	(30,402)
Net loss	–	–	–	(2,210)
At 30 September 2008	<u>71,988</u>	<u>10,567</u>	<u>–</u>	<u>(32,612)</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (nine months ended 30 September 2007: Nil).

REVIEW OF THE THIRD QUARTER

Financial review

For the nine months ended 30 September 2008, the Group recorded an unaudited turnover of approximately RMB83,997,000, representing a decrease of approximately RMB13,124,000, or approximately 13.51%, as compared with the turnover of the same period in 2007. For the three months ended 30 September 2008, the Group recorded an unaudited turnover of approximately RMB20,311,000, representing a decrease of approximately RMB11,306,000 or 35.76%, as compared with the turnover of the same period in 2007.

For the nine and three months ended 30 September 2008, the Group recorded an unaudited net loss of approximately RMB3,407,000 and RMB2,210,000 respectively.

Business review

1. *Product development*

During the period, the business of value-added services continued to develop in a sound and stable manner. Value-added service products, such as personal communication assistant, enterprise SMS business card, enterprise Bai Shi Tong alliance and visual display products, have been further optimized in terms of their service functions and operating mode. During the period, the Group has put more efforts in the research and development of the new Number Bai Shi Tong service and conducted research on further utilization of the data in the databank of Telecom Number Bai Shi Tong service. As for the visual display technology, the Group initiated the research and development of such new products as Zhanshibao Enterprise TV Station application service, enterprise Ji Shi Tong communication platform and portal enterprise user platform, and the provision to enterprises of Internet image packaging and Internet channel expansion products.

As for the business line of application services, based on the office automation system and management support system platform continuously developed for China Telecom, China Mobile and China Unicom, the three largest domestic communication operators, we are developing upgraded and new products such as office coordinating system, uniform information platform and workflow engine system. We also provide communication operators with technical services for system maintenance and security.

2. *Market and business expansion*

Our value-added service has an extensive market. We have been concentrating on the research and development of innovative value-added business, so as to better cater to the demand of our customers. Besides strengthening and improving the performance of value-added service business in Zhejiang Province, we are steadily establishing market presence in Jiangxi, Jiangsu, Anhui, Hunan, Hubei, Fujian and Guangxi, with an ultimate goal of covering major provinces and cities across the country. The market has relatively larger potential.

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For products such as Zhanshibao Enterprise TV Station, we are planning to rely on both direct sales and distribution network to pursue nationwide market expansion with Zhejiang as our base, hoping to penetrate into the markets by the establishment of a rationalized marketing system within the year.

In respect of application service, we take a relatively large share of the technology information business of China Unicom, China Mobile, China Telecom and China Netcom, and managed to expand our business based on our existing customer base. In addition to new R&D projects, there is also greater market demand for maintenance and technology support for existing technology information system offered to telecom operators.

3. *Investment and cooperation*

During the period, the Group invested RMB1.5 million to develop the enterprise TV business. In addition, the Group also disposed of its 40% interests in Guangzhou Lande Information and Technology Company Limited and 9% interests in Zhejiang Lande Congheng Network Service Company Limited.

Future prospects

1. *Orders in hand/Sales contract status*

Our value-added service business in Zhejiang Province has a large customer base and maintains a stable customer source. For instance, we recorded stable revenue in our Telecom Number Bai Shi Tong service and Zhejiang Ruyi Quanquan and are expanding our value-added business into other provinces and developing 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 and they have intention to enter into contracts in relation to system maintenance services and technical support as well as contracts in relation to development of subsequent new products every year. 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*

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. These products promote, among others, the products, image, culture, services and brands of such enterprises on their websites in the form of clear videos, so as to produce a more direct visual effect on customers.

As the number of Chinese enterprises, government departments and institutions is huge, they can substantially benefit from the online video display on Zhanshibao Enterprise TV Station when it comes to their publicity, production technique, production description, business process, information dissemination, interaction and communication. Customers can gain larger return with small investment, which also represents a good opportunity for the Company.

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

Save as disclosed below, as at 30 September 2008, 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	10.72%
<i>Chief Executive Officer</i>				
Liu Qiao Ping	Personal	Beneficial owner	10,235,340	3.01%

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

For the nine months ended 30 September 2008, none of the Directors, Supervisors, or chief executives was granted options to subscribe for shares of the Company. As at 30 September 2008, 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 30 September 2008, no option has been granted pursuant to such share option scheme.

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INTEREST DISCLOSABLE 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 2008, 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:

Long position in shares

Shareholder	Capacity	Number of shares held	Percentage of beneficial interests in the Company's share capital
Inigma Technology Co. Ltd.	Beneficial owner	81,802,637 Domestic Shares	24.10%
Guoheng Shengxing Media Science Group Company Limited	Beneficial owner	34,117,800 Domestic Shares	10.05%
Fong For	Beneficial owner	21,735,000 H Shares	6.40%
Shi Chun Hua	Beneficial owner	16,490,280 Domestic Shares	4.86%
Wu Zhong Hao	Beneficial owner	16,490,280 Domestic Shares	4.86%

On 23 July 2007, the Company's four shareholders, namely Mr. Shi Chun Hua, Mr. Wang Jin Cheng, Mr. Chen Chun, and Mr. Huo Zhong Hui, had respectively entered into the sale and purchase agreements (the "S&P Agreements") with Shanghai Longtail Investment Management Co., Ltd (the "Subscriber"). Pursuant to the S&P Agreements, the shareholders concerned agreed to sell and the Subscriber agreed to purchase an aggregate of 17,148,638 shares of the Company. The resolution for the transfer was reviewed and approved by the Company in the extraordinary general meeting held on 12 October 2007.



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On 23 July 2007, the Company also entered into the capital increase and subscription agreement (the “Subscription Agreement”) with the Subscriber. Pursuant to the Subscription Agreement, the Company agreed to (i) increase its registered share capital from RMB33,957,700 to RMB35,654,617; and (ii) allot and issue 16,969,170 shares to the Subscriber at a price of RMB0.37 per share.

For details of the transactions, please refer to the Company’s announcement issued on 24 July 2007.

The completion of the transactions and, hence, the change in shareholding structure are subject to the approval of the Ministry of Commerce in the PRC.

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 2008 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 2008.

On behalf of the Board
Chen Ping
Chairman

Hangzhou, the PRC, 14 November 2008