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**浙江升華蘭德科技股份有限公司**

**SHENGHUA LANDE SCITECH LIMITED\***

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

**(Stock Code: 8106)**

**DISCLOSEABLE TRANSACTION  
FORMATION OF THE JOINT VENTURE COMPANY**

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Reference is made to the announcement dated 1 February 2019 issued by the Company. The Board is pleased to announce that on 15 July 2019 (after trading hours), Increator Technology (a wholly-owned subsidiary of the Company) entered into the Investment Agreement with Guiguang Network, pursuant to which Increator Technology and Guiguang Network have agreed to establish the Joint Venture Company with a registered capital of RMB50,000,000 (equivalent to approximately HK\$56,993,000) in Guiyang City, Guizhou Province, the PRC and each of Increator Technology and Guiguang Network has agreed to contribute to the registered capital of the Joint Venture Company at RMB16,500,000 (equivalent to approximately HK\$18,808,000) and RMB33,500,000 (equivalent to approximately HK\$38,185,000), respectively. The Joint Venture Company will be principally engaged in the construction and operation of the Guifutong Platform and the related value-added application service platform and big data platform.

**GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) for the transaction contemplated under the Investment Agreement exceed 5% but all of them are less than 25%, the Investment Agreement and the transaction contemplated under the Investment Agreement constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules but does not required Shareholders' approval.

**The Board wishes to emphasise that the formation of the Joint Venture Company is still subject to the formal approval by the relevant government authority of the PRC and may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

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## **THE INVESTMENT AGREEMENT**

Major terms of the Investment Agreement are set out below.

### **Date**

15 July 2019 (after trading hours)

### **Parties**

- (1) Guiguang Network, and
- (2) Increator Technology (a wholly-owned subsidiary of the Company)

### **Name**

Guifutong Network Technology Co., Ltd.\* (貴服通網絡科技有限責任公司) (subject to the final name as approved and registered by the industrial and commercial administration authority)

### **Scope of business**

The scope of business of the Joint Venture Company shall include issuance of Guifutong\* (貴服通) cards and Guifutong\* (貴服通) electronic virtual cards to individuals; provision of professional services for government, enterprises, individuals in payment, transfer, clearing transactions, etc.; provision of services such as decision-making data, etc. to the government; Internet information service business (contents other than news, publishing, education); technology development, transfer, consulting and services for computer network system application software, hardware, electronic products, communication equipment and network information technology and big data services; system integration for networking projects; design and construction for smart building projects (operating pursuant to licences); economic information consultation; investment consulting (except securities and futures); financial information services; agency and placement of advertisements; undertaking of exhibitions; package design; product design; e-commerce services; sales: sales of computer system software, basic software, hardware, communication equipment and electronic products.

The activities prohibited by laws, regulations, decisions of the State Council shall not be operated; activities permitted (approved) by laws, regulations, decisions of the State Council may be operated pursuant to license (approval) documents after approved by the approving authorities; activities not required to be permitted (approved) by laws, regulations, decisions of the State Council may be operated according to market entity's own choice.

The scope of business of the Joint Venture Company shall be subject to the approval as per the industrial and commercial registered business license.

### **Operating period**

The operating period of the Joint Venture Company is 30 years.

### **Registered capital and capital contribution**

The total amount of the registered capital of the Joint Venture Company is RMB50,000,000 (equivalent to approximately HK\$56,993,000). Guiguang Network shall be responsible to contribute 67% of the registered capital of the Joint Venture Company in the sum of RMB33,500,000 (equivalent to approximately HK\$38,185,000). Increator Technology shall be responsible to contribute 33% of the registered capital of the Joint Venture Company in the sum of RMB16,500,000 (equivalent to approximately HK\$18,808,000).

Both parties shall pay the initial capital contribution in the aggregate amount of RMB20,000,000 (equivalent to approximately HK\$22,797,000) within six months upon the completion of the industrial and commercial registration of the Joint Venture Company as follows:

|                      | <b>Amount of<br/>capital<br/>contribution<br/>(RMB)</b> | <b>Shareholding<br/>percentage<br/>(%)</b> |
|----------------------|---|--|
| Guiguang Network     | 13,400,000  | 67%  |
| Increator Technology | 6,600,000   | 33%  |
|                      | <u>20,000,000</u>                                       | <u>100%</u>                                |

Guiguang Network's initial capital contribution of RMB13,400,000 (equivalent to approximately HK\$15,274,000) will consist of fixed assets and intangible assets (as valued by the valuation report confirmed by Increator Technology) and cash for the remaining portion. Increator Technology's initial capital contribution of RMB6,600,000 (equivalent to approximately HK\$7,523,000) will be in cash.

The remaining amount of the registered capital will be paid up in accordance with the business development plan of the Joint Venture Company during its existence upon unanimous consent by both parties.

## **Board composition and management**

The Joint Venture Company shall establish a board of directors comprising of five directors, while three of whom shall be nominated by Guiguang Network, and two of whom shall be nominated by Increator Technology. The chairman of the board of directors, who will also be the legal representative of the Joint Venture Company, shall be a director nominated by Guiguang Network. The vice-chairman of the board of directors shall be a director nominated by Increator Technology. The directors shall have a term of three years and may be re-elected at the expiration of the term of office.

The Joint Venture Company shall implement the general manager accountability system under the leadership of the board of directors, and shall have one general manager, several deputy general managers and one financial controller. During the Strategic Return Period (2019-2023), the general manager shall be nominated by Increator Technology and the financial controller shall be appointed by Guiguang Network. The deputy general managers shall be nominated by both parties and can also be openly recruited from the public, with one of them nominated by Guiguang Network. The senior management personnel of the Joint Venture Company includes the general manager, the deputy general managers and the financial controller, and shall be appointed by the board of directors for a term in accordance with the requirements of the articles of association of the Joint Venture Company.

## **Supervisory committee**

The supervisory committee of the Joint Venture Company shall comprise one supervisor who shall be nominated by Guiguang Network. The supervisor shall have a term of three years and may be re-elected at the expiration of the term of office.

## **Restriction on equity transfers**

The transfer of part or all of its equity by any party to another third party must be agreed by both parties and in accordance with the requirements of the Company Law.

## **Distribution of profits**

The profits after income tax of the Joint Venture Company, after making up for previous losses and appropriation to reserves, shall be distributed to the shareholders of the Joint Venture Company in proportion to their respective shareholdings.

## **Other terms**

- (1) The industrial and commercial registration of the Joint Venture Company shall be completed within one month after the signing of the Investment Agreement.

- (2) Guiguang Network is obliged to implement the relevant cooperation agreements signed with Guizhou Provincial Health Planning Commission\* (貴州省衛計委) to ensure that the Joint Venture Company can effectively carry out the construction, operation and maintenance and value-added services of the resident health card management application service platform as soon as possible; provide as many government resources and market resources as possible for the operation of the Joint Venture Company; and avoid the competition between Guiguang Network and its subsidiaries and the Joint Venture Company.
- (3) Increator Technology is obliged to rely on its past experience, including but not limited to technology and operation aspects, to support the Joint Venture Company (including but not limited to the construction, operation and maintenance and operation of value-added services for Guizhou Provincial Health Planning Commission\* (貴州省衛計委) resident health card management application service platform), and to ensure compliance with the regulatory requirements of national and relevant provincial authorities. The relevant industry experience of the management personnel delegated by Increator Technology shall not be less than 5 years.
- (4) Increator Technology agrees to transfer part of its equity to implement equity incentives for the senior management and core employees of the Joint Venture Company after the establishment of the Joint Venture Company and when the conditions are mature. The specific incentive and equity transfer plan shall be agreed by both parties, formulated by the board of directors and implemented after approval by the shareholders' meeting.
- (5) In the process of establishing the Joint Venture Company, if the interests of the Joint Venture Company or other investor are damaged due to the negligence of one party, the faulty party shall be liable for compensations to the Joint Venture Company or other investor.

## **INFORMATION OF THE PARTIES TO THE INVESTMENT AGREEMENT**

Guiguang Network is a joint stock company incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange. Guiguang Network is principally engaged in the construction and operation of television broadcasting networks, including the broadcasting and viewing services of television programs, the development and operation of digital television value-added business, data business, cable television related engineering and installation, program transmission, and terminal sales, etc., the intensive development of the three-network (namely, digital television, high-definition interaction and personal broadband) convergence business, with business area covers the entire territory of Guizhou Province; and, with the authorisation of the relevant government authorities, the construction and operation of the Guifutong Platform. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guiguang Network and its ultimate beneficial owners (where applicable) are Independent Third Parties.

Increator Technology is a wholly-owned subsidiary of the Company and principally engaged in the provision of smart city convenience service (便民協同服務) solutions, including primarily the provision of software development and value-added services relating to the construction implementation and operation maintenance of smart city solutions to customers.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in (i) the provision of telecommunication solutions; (ii) the trading of hardware and computer software; (iii) the provision of telecommunication value-added services; (iv) the provision of smart city solutions and (v) the provision of e-commerce supply chain services.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY**

In order to accelerate its business development in the mobile Internet industry, the Group acquired Increator Technology in February 2018 and commenced the smart city solutions business, which comprised mainly the research and development and the construction of smart city service platforms such as Citizen Card\* (市民卡) systems. The Group has been considering venturing into new area of the smart city solutions business, such as operation of the service platforms, to broaden its source of revenue thereby creating greater value for the Shareholders. The formation of the Joint Venture Company will enable the Group to take part in the operation of the Guifutong Platform, the smart city service platform for Guizhou Province. At the same time, the Group will have the opportunity to obtain more business such as the construction and implementation and/or operation of smart city service platforms, and further enhance its business development. The Group would also benefit financially as a shareholder and a provider of solutions and value-added services of the Joint Venture Company.

The Joint Venture Company shall enjoy the exclusive operation rights of the Guifutong Platform and will be the sole representative of Guiguang Network for the issuance, management and operation services of the unified cards (一卡通) and electronic payment in Guizhou Province. The registered capital of the Joint Venture Company, the allocation of investment amounts between the parties and the time of capital contribution and the other terms of the Joint Venture Company have been determined on an arm's length basis by the parties to the Investment Agreement, after considering the funding needs, development potential and business prospects of the Joint Venture Company. The Group will fulfill the capital contribution obligations stipulated in the Investment Agreement through its internal resources in cash and output management experience.

In view of the above, the Directors consider that the terms of the formation of the Joint Venture Company and the Investment Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE CAPITAL CONTRIBUTION**

As the Group does not have control over the majority of the board of directors of the Joint Venture Company, the Joint Venture Company will not be accounted for as a subsidiary of the Company. The Group's capital contribution to the Joint Venture Company will be accounted for as an equity transaction that will not result in the recognition of any gain or loss in profit or loss.



## GEM LISTING RULES IMPLICATIONS

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## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

|                       |   |
|-----------------------|---|
| “Board”               | the board of the Directors  |
| “Company”             | Shenghua Lande Scitech Limited* (浙江升華蘭德科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on GEM   |
| “Company Law”         | the Company Law of the PRC  |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules  |
| “Director(s)”         | the director(s) of the Company  |
| “Domestic Share(s)”   | the domestic share(s) of the Company which are subscribed for in RMB  |
| “GEM”                 | the GEM of the Stock Exchange   |
| “GEM Listing Rules”   | the Rules Governing the listing of Securities on GEM  |
| “Group”               | the Company and its subsidiaries  |
| “Guifutong Platform”  | 貴服通平台, that is, National Broadcasting and Television Gold Card Platform – Guizhou Provincial Platform* (國家廣電金卡平台—貴州省平台), a large-scale software service platform that provides smart city services, providing basic services, extended value-added applications and services (including but not limited to digital television supporting, mobile Internet and Internet services, urban services and big data services, etc.) for unified cards (一卡通) (including but not limited to resident health cards and broadcasting and television gold card (廣電金卡), etc.) and electronic payment in Guizhou Province |

|                             |   |
|-----------------------------|---|
| “Guiguang Network”          | Guizhou Broadcasting and Television Network Co., Ltd.* (貴州省廣播電視信息網絡股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange   |
| “H Share(s)”                | the overseas listed foreign invested share(s) of the Company which are listed on GEM and subscribed for and traded in HK\$  |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC  |
| “Increator Technology”      | Increator Technology Co., Ltd.* (浙江創建科技有限公司), a whole-owned subsidiary of the Company incorporated in the PRC with limited liability  |
| “Independent Third Parties” | third parties independent of the Company and connected persons of the Company and “Independent Third Party” shall be construed accordingly  |
| “Investment Agreement”      | the investment agreement dated 15 July 2019 and entered into between Guiguang Network and Increator Technology in relation to the formation of the Joint Venture Company  |
| “Joint Venture Company”     | Guifutong Network Technology Co., Ltd.* (貴服通網絡科技有限責任公司), a company to be incorporated in the PRC with limited liability in Guiyang City, Guizhou Province by Guiguang Network and Increator Technology according to the Investment Agreement (subject to the approval by the industrial and commercial administration authority and registration of final name) |
| “PRC”                       | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Share(s)”                  | the Domestic Share(s) and/or the H Share(s)   |
| “Shareholder(s)”            | holder(s) of the Share(s)   |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited   |
| “HK\$”                      | Hong Kong dollar, the lawful currency of Hong Kong  |
| “RMB”                       | Renminbi, the lawful currency of the PRC  |
| “%”                         | per cent.   |



*Unless stated otherwise, in this announcement, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.8773 to HK\$1.00, being the exchange rate of RMB against HK\$ as announced by The People's Bank of China on the date of this announcement. No representation is made that the HK\$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this announcement have been subject to rounding adjustments.*

By order of the Board  
**Shenghua Lande Scitech Limited\***  
**Qi Jinsong**  
*Chairman and Chief Executive Officer*

Huzhou City, the PRC, 15 July 2019

*As at the date of this announcement, the Board comprises four executive Directors, being Mr. Qi Jinsong, Mr. Chen Ping, Mr. Guan Zilong and Mr. Xu Jianfeng, and three independent non-executive Directors, being Mr. Cai Jiamei, Ms. Huang Lianxi and Mr. Shen Haiying.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.*

*This announcement will remain on the "Latest Company Announcements" page on the GEM website at [www.hkgem.com](http://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](http://www.landpage.com.cn).*

\* For identification purposes only