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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 JOINT VENTURE COMPANY**

FORMATION OF THE JOINT VENTURE COMPANY

The Board is pleased to announce that on 13 December 2021 (after trading hours), Dianshi Technology (the Company's 41% owned subsidiary) entered into the Cooperation Framework Agreement (a definitive and legally binding agreement) with Junrui Industrial and Xuanying Yunhao Partnership, pursuant to which the afore-mentioned three parties have agreed to establish the Joint Venture Company with a registered capital of RMB10,000,000 (equivalent to approximately HK\$12,249,000) in Hangzhou City, Zhejiang Province, the PRC and each of Dianshi Technology, Junrui Industrial and Xuanying Yunhao Partnership has agreed to contribute to the registered capital of the Joint Venture Company at RMB4,600,000 (equivalent to approximately HK\$5,635,000), RMB5,100,000 (equivalent to approximately HK\$6,247,000) and RMB300,000 (equivalent to approximately HK\$367,000), respectively. The Joint Venture Company will be principally engaged in the management and operation of children's clothing brands, including the establishment, incubation, agency and acquisition of brands, and provision of related supply chain finance and services from product planning and category planning to production, storage, delivery and sales channel promotion.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated pursuant to GEM Listing Rule 19.07 in respect of the Cooperation Framework Agreement is more than 5% but less than 25%, the Cooperation Framework Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements set out under Chapter 19 of the GEM Listing Rules but does not require 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 COOPERATION FRAMEWORK AGREEMENT

Major terms of the Cooperation Framework Agreement are set out below.

Date

13 December 2021 (after trading hours)

Parties

- (1) Dianshi Technology (the Company's 41% owned subsidiary),
- (2) Junrui Industrial, and
- (3) Xuanying Yunhao Partnership

Name

Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限公司) (subject to the final name as approved and registered by the market regulation administration authority of the PRC)

Scope of business

The scope of business of the Joint Venture Company shall be: General items: clothing and apparel wholesale; clothing and apparel retail; knitted goods and raw materials sales; daily-used merchandise sales; shoes and hats wholesale; shoes and hats retail; arts and crafts and collections retail (except ivory and its products); arts and crafts and collections wholesale (except ivory and its products); toys sales; electronic products sales; office supplies sales; corporate image planning; corporate management consulting; cultural and artistic exchange activities organisation; conference and exhibition services; project planning and public relations services; graphic design and production; camera and video production services; information system integration services; consignment services; professional design services (except for items subject to approvals required by laws, business activities shall be conducted independently in accordance with the business license and laws). Licensed items: class one telecommunication value-added businesses; class two telecommunication value-added businesses; Internet information services (for items subject to approvals required by laws, approvals by the relevant departments should be obtained before carrying out business activities and the specific items of business shall be subject to the approval results).

Registered capital and capital contribution

The total amount of registered capital of the Joint Venture Company is RMB10,000,000 (equivalent to approximately HK\$12,249,000). Dianshi Technology shall be responsible to contribute 46% of the registered capital of the Joint Venture Company in the sum of RMB4,600,000 (equivalent to approximately HK\$5,635,000). Junrui Industrial shall be responsible to contribute 51% of the registered capital of the Joint Venture Company in the sum of RMB5,100,000 (equivalent to approximately HK\$6,247,000). Xuanying Yunhao Partnership shall be responsible to contribute 3% of the registered capital of the Joint Venture Company in the sum of RMB300,000 (equivalent to approximately HK\$367,000).

All three parties to the agreement shall pay a total of RMB10,000,000 (equivalent to approximately HK\$12,249,000) in cash in full within five (5) working days after the registration of the Joint Venture Company and completion of the bank account opening as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
Dianshi Technology	4,600,000	46%
Junrui Industrial	5,100,000	51%
Xuanying Yunhao Partnership	300,000	3%
	<u>10,000,000</u>	<u>100%</u>

Board composition and management

The Joint Venture Company will set up a board of directors consisting of three (3) directors. Among them, Dianshi Technology nominates one (1) and Junrui Industrial nominates two (2). The board of directors has one (1) chairman who is the legal representative of the Joint Venture Company. The first chairman of the board of directors is Mr. Tang Jia (唐嘉) elected by Junrui Industrial. The term of office of directors is three (3) years, and they can be re-elected upon expiration.

The Joint Venture Company implements the general manager accountability system under the leadership of the board of directors, and the general manager's powers, term of office, working procedures, etc., are stipulated in the Joint Venture Company's articles of association. Mr. Tong Xianjun (童鮮軍) is elected by Dianshi Technology as the general manager. The chief financial officer shall be selected by the board of directors in accordance with the subsequent development needs of the Joint Venture Company.

Special agreed terms during the operation period

The project evaluation period is tentatively set at three (3) years, starting from the completion of the establishment of the Joint Venture Company:

- (1) Within one (1) year, if one of the parties withdraws, the withdrawing party will withdraw at a zero transfer price (that is, the withdrawing party will transfer its equity interests to the other parties at zero consideration, and the other parties will accept the transfer according to the original shareholding ratios. If the withdrawing party violates the law and causes losses to the Joint Venture Company, it will bear separate statutory responsibilities);
- (2) After one (1) year, any opt-out party will, in principle, transfer its equity interests to other shareholders based on the net assets of the Joint Venture Company, and the other parties will accept the transfer in proportion to their shareholding ratios;
- (3) If there is financing and other similar actions within three (3) years, it will be resolved through negotiation between the three parties to the agreement and operation team; and
- (4) Relevant systems will be agreed separately after three (3) years.

Other terms

- (1) The increase or decrease of registered capital, company merger, division, dissolution or liquidation, equity incentives, amendments to the company's articles of association, external pledge and guarantees, external investment, etc., of the Joint Venture Company must be approved by shareholders representing more than two-thirds (2/3) of its voting rights.

- (2) The three parties to the agreement promise that all capital contributions of the parties will only be used for the establishment, production and operation of the Joint Venture Company or other purposes approved by the Joint Venture Company's board of directors in the form of resolutions, and shall not be used for any entrusted financial management, entrusted loans and futures, etc., transactions other than this. In case of unauthorised use without written permission, the unauthorised user shall bear the full liability for compensation.
- (3) According to the business development scale of the Joint Venture Company and pursuant to the estimated fund use plan, it is necessary to supplement working capital of RMB10,000,000 (equivalent to approximately HK\$12,249,000) as order funds. In principle, Junrui Industry will provide preferential interest rate (not higher than 110% of LPR over the same period) or interest-free borrowings for such working capital, and supervise the use of funds.

When the use of working capital exceeds RMB10,000,000 (equivalent to approximately HK\$12,249,000), Dianshi Technology and Junrui Industrial will provide further working capital according to their shareholding ratios, and the fund use plan will be agreed upon by entering into separate agreement.

- (4) After the Joint Venture Company has completed the three(3)-year evaluation indicators of the board of directors (the specific indicators are drawn up by the board of directors and submitted to the shareholders meeting for approval), Dianshi Technology will transfer no more than 12% of the equity interests of the Joint Venture Company at an agreed price (the amount and price of transfer will be determined by the resolution of the shareholders meeting) to the operation and agent team.
- (5) Unless unanimously agreed in writing by all shareholders, none of the shareholders of the Joint Venture Company shall cooperate alone with the designer, brand or product that the Joint Venture Company has signed. In addition, if the Joint Venture Company terminates the cooperation with the designer, brand or product, within two (2) years after the termination of such cooperation takes effect, none of the shareholders of the Joint Venture Company shall cooperate alone with the designer, brand or product with whom the cooperation has been terminated, unless the unanimous written consent of all shareholders is obtained. In case of violation of this provision, the breaching party shall be liable for breach of agreement and all legal consequences.
- (6) Any party shall strictly keep secrets of other parties' business operations, procurement information, customer lists, community resources and the existence of the Cooperation Framework Agreement that are obtained or learned resulting from the signing of the Cooperation Framework Agreement. Without the written consent of other parties, either party shall not disclose, transfer or dispose of the afore-mentioned confidential information to any other third party (except as required by relevant laws, regulations, government departments, stock exchanges or other regulatory authorities). If any party fails to fulfil its confidentiality obligations and causes other parties' confidential information to be used without authorisation or leaked, the party that has not fulfilled its confidentiality obligations shall compensate for all losses of the party whose interests have suffered.

- (7) During the cooperation period of the Cooperation Framework Agreement, if either party breaches the agreement, the observant party shall have the right to request the breaching party to correct the breach, otherwise, the observant party shall have the right to terminate this agreement immediately and request the breaching party to compensate all losses.

INFORMATION OF THE GROUP AND DIANSHI TECHNOLOGY

The Company is a joint stock limited company incorporated in the PRC and its H Shares are listed on GEM (stock code: 8106). The Group is principally engaged in, amongst others, (i) the trading of hardware and computer software; (ii) the provision of smart city solutions; and (iii) the provision of e-commerce supply chain services.

Dianshi Technology (the Company's 41% owned subsidiary) is a limited company incorporated in the PRC and is principally engaged in the provision of community marketing services, through building and operating a start-up incubator platform and establishing high value-added supply chain channels and overall incubator service system, providing reliable, high-quality, unique goods and comprehensive standardised valued-added services for the entrepreneurial community teams.

INFORMATION OF JUNRUI INDUSTRIAL

As at the date of this announcement, to the best knowledge, information and belief of the Directors after making all reasonable enquiries, Junrui Industrial is a limited company incorporated in the PRC and is principally engaged in the holding and leasing of properties. Junrui Industry is an indirect wholly-owned subsidiary of China Outfitters. China Outfitters is a limited company incorporated in the Cayman Islands and its shares are listed on the main board of the Stock Exchange (stock code: 1146). China Outfitters and its subsidiaries are principally engaged in the design, production, marketing and sales of apparel products and accessories, with a focus on menswear. Junrui Industrial and China Outfitters and their ultimate beneficial owners (if applicable) are each an Independent Third Party.

INFORMATION OF XUANYING YUNHAO PARTNERSHIP

As at the date of this announcement, to the best knowledge, information and belief of the Directors after making all reasonable enquiries, Xuanying Yunhao Partnership is a limited partnership established in the PRC, mainly engaged in, amongst others, the provision of a series of investment management services such as strategic investment planning and introduction of investment partners for enterprises in the fast-moving consumer goods industry, and with Ms. Shen Lifang (沈麗芳) as the general partner and executive partner and Mr. Wei Wei (韋煒) as the limited partner, contributing 55% and 45% of the total capital of the partnership, respectively. Each of Ms. Shen Lifang and Mr. Wei Wei is a PRC individual resident and an Independent Third Party.

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

The Group is committed to advancing the development of mobile Internet services, combining the resources and technologies accumulated by existing businesses, actively promoting the transformation of its business segments, developing or introducing new businesses and new products, and helping the Group to build a sustainable business ecosystem. As disclosed in the Company's third quarterly report for the year 2021 dated 12 November 2021, the Group's e-commerce supply chain services business is focusing on cultivating the community marketing services business. The self-developed and operated Kiddol platform (a one-stop new consumer platform for parent-child life) was successfully launched at the end of September this year and the start-up operation has been achieved, developing community marketing services for product series for maternal and infants, children, etc.. The proposed Joint Venture Company will integrate and leverage the advantages of the joint venture partners and is conducive to establishing a stable children's clothing supply chain resource and continuously delivering innovative children's clothing brand products for the Kiddol platform, empowering the platform's distributors, and meeting the needs for the platform's sustainable development. This will enable the Group to accelerate the implementation and advancement of its business plan for the development of community marketing and broaden its sources of income. The Kiddol platform will enjoy the best price and supply guarantee of the Joint Venture Company and the Group will also benefit from the business results of the Joint Venture Company as a shareholder of the Joint Venture Company, thereby creating greater value for the Shareholders.

The capital requirements of the Joint Venture Company and respective capital commitments of the joint venture partners and the Group and other terms of the Joint Venture Company have been determined on an arm's length basis by the parties to the Cooperation Framework Agreement, after considering the funding needs, development potentials and business prospects of the Joint Venture Company. The Group will fulfil the capital contribution obligation stipulated in the Cooperation Framework Agreement through its internal resources in cash and output technologies and management experience.

In view of the above, the Directors consider that the terms of the formation of the Joint Venture Company and Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Group and 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

As one or more of the applicable percentage ratio(s) calculated pursuant to GEM Listing Rule 19.07 in respect of the Cooperation Framework Agreement is more than 5% but less than 25%, the Cooperation Framework Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements set out under Chapter 19 of the GEM Listing Rules but does not require Shareholders' approval.

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DEFINITIONS

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

“Board”	the board of the Directors
“China Outfitters”	China Outfitters Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1146)
“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 (stock code: 8106)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement dated 13 December 2021 and entered into among Dianshi Technology, Junrui Industrial and Xuanying Yunhao Partnership in relation to the formation of the Joint Venture Company
“Dianshi Technology”	Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司) (the Company's 41% owned subsidiary), a company incorporated in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	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
“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
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company and “Independent Third Party” shall be construed accordingly
“Joint Venture Company”	Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限公司), a company to be incorporated in the PRC with limited liability by Dianshi Technology, Junrui Industrial and Xuanying Yunhao Partnership according to the Cooperation Framework Agreement (subject to the approval and registration of final name by the market regulation administration authority of the PRC)
“Junrui Industrial”	Guangdong Junrui Industrial Co., Ltd.* (廣東君瑞實業有限公司) (an indirect wholly-owned subsidiary of China Outfitters), a company incorporated in the PRC with limited liability
“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
“Xuanying Yunhao Partnership”	Ningbo Meishan Free Trade Port Zone Xuanying Yunhao Investment Management Partnership LP* (寧波梅山保稅港區宣映雲浩投資管理合夥企業(有限合夥)), a partnership established in the PRC with limited liability
“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 RMB0.8164 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

Hangzhou City, the PRC, 13 December 2021

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Qi Jinsong, Mr. Guan Zilong and Mr. Xu Jianfeng; one non-executive Directors, being Mr. Chen Ping; 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 for at least 7 days from the day of its posting and on the website of the Company at www.landpage.com.cn.

* For identification purposes only