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)

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 41% EQUITY INTERESTS IN ZHEJIANG DIANSHI AND (2) DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 41% EQUITY INTERESTS IN ZHEJIANG DIANSHI

On 6 September 2022 (after trading hours), the Purchaser (an Independent Third Party) entered into the Equity Transfer Agreement with the Company (as vendor), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Interests for the consideration of RMB1.00.

The Disposal Group is principally engaged in the provision of community marketing services for maternal, infant and children product series to community teams. Upon completion of the Disposal, the Company will cease to have any equity interests in Zhejiang Dianshi and Zhejiang Dianshi will cease to be a subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Disposal Group will no longer be included in the consolidated financial statements of the Group.

As one or more of applicable percentage ratios under the GEM Listing Rules exceeded 25% but was less than 75%, the Disposal as contemplated under the Equity Transfer Agreement constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

Since (a) no Shareholder is required to abstain from voting if the Company convenes a general meeting to approve the Disposal; and (b) in accordance with Rule 19.44 of the GEM Listing Rules, the Company has obtained written shareholders' approval from the following Shareholders, namely Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司), which holds 168,846,930 domestic Shares, representing approximately 33.33% of the Company's issued share capital, and Rise Sea Limited, which holds 93,130,000 H Shares, representing approximately 18.39% of the Company's issued share capital, which, in aggregate, hold approximately 51.72% of the Company's issued share capital, to approve the Disposal, no general meeting of the Company will be convened and held for approving the Disposal.

DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

As at the date of this announcement, Zhejiang Dianshi is indebted to the Company. The Debts, in an aggregate amount of RMB11,000,000 (equivalent to approximately HK$12,496,000), are unsecured and still outstanding as at the date of this announcement. The abovementioned sum will not be settled upon the Completion. Since Zhejiang Dianshi will cease to be a subsidiary of the Group upon the Completion, the Debts will then constitute as financial assistance.

As certain applicable percentage ratios under the GEM Listing Rules were more than 5% but less than 25%, the Debts constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the notification and announcement requirements set out under Chapter 19 of the GEM Listing Rules but did not require Shareholders' approval.

As the amount of the financial assistance exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, the Debts are subject to the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules.

GENERAL

A circular containing, among other things, further details of the Disposal will be despatched to the Shareholders in compliance with the GEM Listing Rules. The Board expects that the circular will be despatched to the Shareholders on or before 28 September 2022.

(1) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 41% EQUITY INTERESTS IN ZHEJIANG DIANSHI

The Equity Transfer Agreement

On 6 September 2022 (after trading hours), the Purchaser entered into the Equity Transfer Agreement with the Company (as vendor), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Interests for a consideration of RMB1.00.

Set out below are the key terms of the Equity Transfer Agreement:

Date

6 September 2022

Parties

(1) Purchaser: Zhang Yan (張燕)

(2) Vendor: The Company

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire and the Company as vendor has agreed to sell the Sale Interests.

Consideration

The Consideration is RMB1.00 as the consolidated net assets value of Zhejiang Dianshi as at 31 July 2022 recorded a negative value. The Purchaser shall pay the Consideration to the Company in cash or via bank transfer within three (3) working days of the signing of the Equity Transfer Agreement.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser based on normal commercial terms, and with reference to the continuous loss-making performance, net liabilities position and present business operation conditions of the Disposal Group.

Completion

The Completion shall take place on the day when the industrial and commercial change registration is completed. Upon the Completion, the risks, obligations and rewards of the rights relating to the Sale Interests will be passed to the Purchaser. The Company will cease to have any equity interests in Zhejiang Dianshi and Zhejiang Dianshi will cease to be a subsidiary of the Company. Accordingly, the financial results, assets and liabilities of the Disposal Group will no longer be included in the consolidated financial statements of the Group.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is a joint stock company incorporated in the PRC with limited liability, and the H Shares of which are listed on GEM. 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 operation solution services.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, Zhang Yan, is a PRC individual resident and an Independent Third Party. The Purchaser is the largest community team leader that Zhejiang Dianshi provided community marketing services to, and as advised by the Purchaser, has extensive experience in community marketing services operation.

INFORMATION ON ZHEJIANG DIANSHI AND THE DISPOSAL GROUP

The Disposal Group comprises Zhejiang Dianshi, Mengya Technology (which is 67% owned by Zhejiang Dianshi), Full Fun Technology (which is 70% owned by Zhejiang Dianshi) and Full Fun Supply Chain (which is wholly owned by Zhejiang Dianshi). The Disposal Group is principally engaged in the provision of community marketing services for maternal, infant and children product series to community teams.

Each of Zhejiang Dianshi, Mengya Technology, Full Fun Technology and Full Fun Supply Chain is incorporated in the PRC with limited liability and is principally engaged in the provision of community marketing services in the PRC.

Zhejiang Dianshi also has an investment in an associate, which represented its 46% interests in the registered capital of Muye Brand Management, a limited company established in the PRC principally engaged in the management and operation of children's clothing brands.

Set out below are the consolidated financial information of the Disposal Group, for each of the two financial years ended 31 December 2020 and 2021 and six months ended 30 June 2022:

	Year ended 31 December 2020 (Audited) *RMB'000*	Year ended 31 December 2021 (Audited) *RMB'000*	**Six months ended 30 June 2022 (Unaudited)** ***RMB'000***
Revenue	–	12,319	**33,453**
Profit (loss) before tax	–	(21,123)	**(19,404)**
Profit (loss) after tax	–	(21,123)	**(19,404)**

The unaudited consolidated net liabilities value and total assets value of the Disposal Group as at 31 July 2022 amounted to approximately RMB33,768,000 and RMB27,192,000, respectively.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon the Completion, Zhejiang Dianshi will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Disposal Group will no longer be included in the consolidated financial statements of the Group. In addition, the Group will no longer hold any equity interests in Muye Brand Management, which will cease to be an associate of the Group.

For illustrative purpose, based on (i) the Consideration to be payable by the Purchaser to the Company of RMB1.00; and (ii) the proportionate unaudited consolidated net liabilities value of the Disposal Group attributable to the Group as at 31 July 2022, it is estimated that the Group will record an unaudited net gain before taxation of approximately RMB9,953,000 (equivalent to approximately HK$11,306,000) from the Disposal. The actual gain or loss arising from the Disposal will depend on the proportionate consolidated net liabilities value of the Disposal Group attributable to the Group as at the date of Completion and is subject to final audit to be performed by the auditor of the Company and, therefore, may vary from the current estimate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group established Zhejiang Dianshi in late 2020 with the intention of engaging in the provision of community marketing services business, as one of the channels to promoting the development of mobile Internet services. Leveraged on the Group's accumulated resources and experience, Zhejiang Dianshi and its subsidiaries, launched the new retail business incubation platform (the Kiddol platform) which targeted on the infant and children consumer group, and commenced the provision of maternal and infant community marketing services business in the end of the third quarter of 2021. The number of registered users of the platform has exceeded 200,000, but, due to objective reasons such as intense market competition and hindrances of investment promotion activities and logistics supply caused by the "Novel Pneumonia Coronavirus" epidemic, the current growth in the number of effective users and GMV growth has not reached the expected target. This new business has invested substantial labour costs, other management costs and promotion costs, resulting in a significant loss of the business line when the new business has not yet formed a certain scale benefit. The new business needs to continue to invest heavily and it will take time to achieve profitability, and there exist relatively large uncertainties.

As disclosed in the interim report of the Company dated 12 August 2022, while continuing to promote business transformation and development, the Group strengthened the prevention of innovation risks, reviewed and studied the development of new businesses, and will fully reconsider the cultivation risks of the Kiddol platform and make necessary appropriate adjustments. The performance of the new provision of community marketing services business could not meet the initial expectation of the Group. The Disposal Group is in a net current liabilities and loss-making position, and it is uncertain for the Directors to expect a possibility that the Disposal Group will achieve a position turnaround in financial performance. As the new business requires significant capital commitment and liquidity to sustain its continuous operation, after taking into account of the business direction and development strategy of the Group as well as the costs of maintaining the operation and the prospects of the new business, the Company believes that it is in the best interests of the Group to dispose of Zhejiang Dianshi and continue to seek alternative paths for the Group's business transformation and development.

As the Disposal Group was in a loss-making position for the period from its establishment to 30 June 2022, it is expected that the Disposal will reduce the level of loss of the Group and improve its profitability. Further, the Disposal will enable the Group to allocate the Group's financial and other resources on its principal businesses and other businesses which the Group considers having higher return and development potential. The Company considers that the Disposal would improve the Group's overall liquidity and profitability and help stabilise the overall operations of the Group following the Completion.

Having made prudent assessments on the above and considered the prevailing market conditions, the Directors are of the view that it would be beneficial for the Company and Shareholders as a whole to dispose of the Group's entire 41% equity interests in Zhejiang Dianshi pursuant to the terms of the Equity Transfer Agreement. The Board (including the independent non-executive Directors) is further of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and Shareholders as a whole. After the Disposal, the Company will continue to seek new business opportunities in the provision of e-commerce operation solution services business sector which could generate revenue for the Group.

LISTING RULES IMPLICATION

As one or more of applicable percentage ratios under the GEM Listing Rules exceeded 25% but was less than 75%, the Disposal as contemplated under the Equity Transfer Agreement constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

Since (a) no Shareholder is required to abstain from voting if the Company convenes a general meeting to approve the Disposal; and (b) in accordance with Rule 19.44 of the GEM Listing Rules, the Company has obtained written shareholders' approval from the following Shareholders, namely Zhejiang Shenghua Holdings Group Company Limited* (浙江升華控股集團有限公司), which holds 168,846,930 domestic Shares, representing approximately 33.33% of the Company's issued share capital, and Rise Sea Limited, which holds 93,130,000 H Shares, representing approximately 18.39% of the Company's issued share capital, which, in aggregate, hold approximately 51.72% of the Company's issued share capital, to approve the Disposal, no general meeting of the Company will be convened and held for approving the Disposal.

(2) DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

As at the date of this announcement, Zhejiang Dianshi is indebted to the Company in an aggregate sum of RMB11,000,000 (equivalent to approximately HK$12,496,000) (the "**Debts**") which are unsecured and still outstanding as at the date of this announcement. The abovementioned sum will not be settled upon the Completion.

On 6 September 2022, the Company entered into a loan agreement (the "**Loan Agreement**") with Zhejiang Dianshi, pursuant to which, effective from the signing of the Loan Agreement, interest will be charged on the Debts at the rate of 5% per annum until the Debts are fully settled by Zhejiang Dianshi. Pursuant to the Loan Agreement, the Debts shall be fully repaid by 31 December 2025 and the Company may require Zhejiang Dianshi to repay the Debts in advance through litigation and other means if the following situations occur to Zhejiang Dianshi: (i) failure to repay principal and interest on time; (ii) failure to provide true, complete and valid financial statements and other information in a timely manner as required by the Company; (iii) suspected of conducting illegal activities; (iv) being sued by other creditors or being seized, frozen, detained or subject to other compulsory measures; and (v) providing guarantees to third parties or setting up mortgages or pledges, etc., with important properties without the prior written consent of the Company. The Company will not need to provide further loans to Zhejiang Dianshi for follow-up operating funds.

REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCIAL ASSISTANCE

The Debts were granted previously by the Company to Zhejiang Dianshi in 2021, when the Disposal Group was held by the Group, for the Disposal Group's ordinary working capital purposes. As at the date of this announcement and the Equity Transfer Agreement, Zhejiang Dianshi is indebted to the Company for the Debts. In order to protect the legal rights of the Company, the Company entered into the Loan Agreement with Zhejiang Dianshi to confirm the amount of debt, repayment period and interest rate, etc.. Considering the Purchaser of the Equity Transfer Agreement is the largest community team leader that Zhejiang Dianshi provided community marketing services to, and as advised by the Purchaser, has extensive experience in community marketing services operation, the Directors expected that the Disposal Group will achieve an improved financial performance under the Purchaser's management and control, and seek settlement of the Debts pursuant to the terms of the Loan Agreement.

Based on the foregoing, the Directors considered that the Debts and the terms of the Loan Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATION

Since Zhejiang Dianshi will cease to be a subsidiary of the Group upon the Completion, the Debts will then constitute as financial assistance.

As certain applicable percentage ratios under the GEM Listing Rules were more than 5% but less than 25%, the Debts constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the notification and announcement requirements set out under Chapter 19 of the GEM Listing Rules but did not require Shareholders' approval.

As the amount of the financial assistance exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules, the Debts are subject to the general disclosure obligations under Rules 17.15 and 17.17 of the GEM Listing Rules.

GENERAL

A circular containing, among other things, further details of the Disposal will be despatched to the Shareholders in compliance with the GEM Listing Rules. The Board expects that the circular will be despatched to the Shareholders on or before 28 September 2022.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Board"	the board of 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 (stock code: 8106)
"Completion"	completion of the sale and purchase of the Sale Interests in accordance with the terms of the Equity Transfer Agreement
"connected persons"	has the meaning ascribed to this term under the GEM Listing Rules
"Consideration"	the consideration of RMB1.00 payable by the Purchaser for the Sale Interests pursuant to the Equity Transfer Agreement
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Interests by the Company as vendor to the Purchaser as contemplated under the Equity Transfer Agreement
"Disposal Group"	Zhejiang Dianshi, Mengya Technology, Full Fun Technology and Full Fun Supply Chain, and "a member of the Disposal Group" shall be construed accordingly
"Equity Transfer Agreement"	the equity transfer agreement dated 6 September 2022 entered into between the Parties in relation to the Disposal
"Full Fun Supply Chain"	Hangzhou Full Fun Supply Chain Management Co., Ltd.* (杭州滿趣供應鏈管理有限公司), a company incorporated in the PRC with limited liability and wholly owned by Zhejiang Dianshi as at the date of this announcement
"Full Fun Technology"	Zhejiang Full Fun Technology Co., Ltd.* (浙江滿趣科技有限公司), a company incorporated in the PRC with limited liability and owned as to 70% by Zhejiang Dianshi as at the date of this announcement

"GEM"	GEM of the Stock Exchange
"GMV"	gross merchandise value
"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$
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	any person or company, who and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, is/are independent of the Company and connected persons of the Company
"Mengya Technology"	Hangzhou Mengya Technology Co., Ltd.* (杭州萌呀科技有限公司), a company incorporated in the PRC with limited liability and owned as to 67% by Zhejiang Dianshi as at the date of this announcement
"Muye Brand Management"	Hangzhou Muye Brand Management Co., Ltd.* (杭州沐野品牌管理有限公司), a company incorporated in the PRC with limited liability, owned as to 46% by Zhejiang Dianshi and an associate of Zhejiang Dianshi as at the date of this announcement
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Parties"	the parties to the Equity Transfer Agreement, namely the Purchaser and the Company
"Purchaser"	Zhang Yan (張燕), an Independent Third Party
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interests"	41% of the equity interests in Zhejiang Dianshi held by the Company
"Share(s)"	the ordinary share(s) of RMB0.1 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Dianshi”	Zhejiang Dianshi Technology Co., Ltd.* (浙江典石科技有限公司), a company incorporated in the PRC with limited liability and owned as to 41% by the Company as at the date of this announcement
“%”	per cent.

Unless stated otherwise, in this announcement, certain amounts denominated in RMB have been translated into HK$ at the exchange rate of RMB0.88030 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*
Wang Feng
Chairman and Chief Executive Officer

Hangzhou City, the PRC, 6 September 2022

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wang Feng, Mr. Guan Zilong, and Mr. Xu Jianfeng; one non-executive Director, 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 enquiries, 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 Listed Company Information" page on the Stock Exchange's website at www.hkexnews.hk 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*