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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Qidian International Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM to be held on Monday, 31 May 2021. This circular does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for securities referred to in this circular.



奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

**(1) CONNECTED TRANSACTION IN RELATION TO LOAN
CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VINCO  **城高**
Vinco Capital Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the loan capitalisation is set out on pages 19 to 20 of this circular. A letter of advice from Vinco Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 37 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Monday, 31 May 2021 at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC is set out on pages 44 to 46 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.hyjd.com). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

13 May 2021

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Authorised Share Capital Increase”	an increase in the authorised share capital of the Company from US\$4,000,000 divided into 200,000,000 Shares to US\$12,000,000 divided into 600,000,000 Shares by creating an additional 400,000,000 unissued Shares
“Board”	the board of Directors
“Company”	Qidian International Co., Ltd. (奇点国际有限公司) (Stock Code: 1280), a company incorporated in the Cayman Islands with limited liability, the shares of which is listed on the Main Board of the Stock Exchange
“Chongqing Saint”	Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司), a limited liability company incorporated in the PRC and the parent company of the Subscriber
“Completion”	Completion of the Subscription
“Completion Date”	the date of completion of the Subscription notified by the Company to the relevant Subscriber in writing after all the conditions precedent of the Subscription are fulfilled and not later than the fifth business day after the date of fulfillment of all the conditions precedent thereof
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve (i) the Subscription and Capitalisation Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate to allot and issue Subscription Shares; and (ii) the Authorised Share Capital Increase
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors

DEFINITIONS

“Independent Shareholders”	Shareholder(s) other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules
“Latest Practicable Date”	11 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Long Stop Date”	the date upon the expiry of three (3) months from the date of the Subscription and Capitalisation Agreement, or such other date as the Parties may agree in writing
“Parties”	parties to the Subscription and Capitalisation Agreement, collectively the Company and the Subscriber
“PRC”	the People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of the Company with a nominal value of US\$0.02 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Loan”	the outstanding amount (including the principal amount and accrued interests) owing to the Subscriber, by the Company in the amount of approximately HK\$40,734,167 as at the date of the Subscription and Capitalisation Agreement
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares

DEFINITIONS

“Subscriber”	Noble Trade International Holdings Limited (聖行國際集團有限公司), a company incorporated in Hong Kong, and a substantial shareholder of the Company
“Subscription”	the allotment and issue of Subscription Shares at the Subscription Price to settle part of the Shareholders’ Loan pursuant to the terms and conditions of the Subscription and Capitalisation Agreement
“Subscription and Capitalisation Agreement”	the subscription and capitalisation agreement dated 7 April 2021 entered into between the Company and the Subscriber for the issue and subscription of Subscription Shares at the Subscription Price and the capitalisation of the Shareholders’ Loan
“Subscription Price”	HK\$1.14 per Subscription Share
“Subscription Shares”	an aggregate of 36,546,624 Shares to be subscribed by the Subscriber pursuant to the Subscription and Capitalisation Agreement, each a Subscription Share
“US\$”	United states dollars, the lawful currency of the United States of America
“Vinc Capital” or “Independent Financial Adviser”	Vinc Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“%”	per cent.

The English names of the PRC entities mentioned in this circular marked “” are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

LETTER FROM THE BOARD



奇点国际有限公司
Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1280)

Executive Directors:

Mr. Yuan Li (*Chairman*)
Mr. Xu Xinying (*Vice-chairman*)
Ms. Liu Simei (*Chief Executive Officer*)
Mr. Sun Lejiu

Non-executive Directors:

Ms. Xu Hong Hong

Independent non-executive Directors:

Mr. Zhao Jinyong
Mr. Chen Rui
Mr. Fung Tak Choi

Registered Office:

Floor 4 Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Principal place of business in the PRC:

6/F, Tower 2,
Guotai Building,
No. 440 Wenchang Xi Road
Yangzhou City
Jiangsu Province
PRC

Principal place of business in Hong Kong:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

13 May 2021

To Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO LOAN
CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2021 in relation to the loan capitalisation through the Subscription under Specific Mandate and the proposed Authorised Share Capital Increase.

LETTER FROM THE BOARD

On 7 April 2021 (after the Stock Exchange trading hours), the Company and the Subscriber entered into the Subscription and Capitalisation Agreement pursuant to which the Parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, 36,546,624 Subscription Shares at the Subscription Price of HK\$1.14 per Subscription Share. The aggregate Subscription Price of all the Subscription Shares of HK\$41,663,151.36 payable by the Subscriber shall be settled by way of capitalisation of the entire Shareholders' Loan of HK\$40,734,167, and the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscriber upon Completion.

The purpose of this circular is to provide Shareholders with (i) details of the Subscription and Capitalisation Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder; (iv) details of the Authorised Share Capital Increase; (v) other information as required under the Listing Rules; and (vi) the notice of the EGM.

THE SUBSCRIPTION AND CAPITALISATION AGREEMENT

Date

7 April 2021 (after the Stock Exchange trading hours)

Parties

The Company (as issuer) and the Subscriber (as the subscriber).

Number of Subscription Shares

The 36,546,624 Subscription Shares, represent (i) approximately 20% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the authorised share capital and issued share capital of the Company between the Latest Practicable Date and up until the Completion (other than the proposed Authorised Share Capital Increase). The aggregate nominal value of the Subscription Shares is US\$730,932.48.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price is HK\$1.14 per Subscription Share, and the aggregate Subscription Price of all the Subscription Shares of HK\$41,663,151.36 payable by the Subscriber shall be settled by way of capitalisation of the entire Shareholders' Loan of HK\$40,734,167, and the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscriber upon Completion.

LETTER FROM THE BOARD

The Subscription Price was determined with reference to the higher of:

- (i) the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Capitalisation Agreement, being HK\$1.098; and
- (ii) the closing price as quoted on the Stock Exchange on the date of the Subscription and Capitalisation Agreement, being HK\$1.14 (representing a premium of approximately 3.8% to the average closing price for the last five consecutive trading days).

The Subscription Price also represented (i) a discount of approximately 1.72% to the closing price per Share of HK\$1.16 on the Latest Practicable Date; and (ii) a discount of approximately 16.79% to the average closing price per Share of HK\$1.37 for the twelve-month period from 7 April 2020, up to and including 7 April 2021, being the date of the Subscription and Capitalisation Agreement.

The Subscription Price was also determined, among others, with reference to (i) the prevailing market price of the Shares and the market conditions; and (ii) the funding needs and financial position of the Group and was negotiated on an arm's length basis between the Company and the Subscriber. Determining the Subscription Price with reference to the prevailing market price of the Shares is a common pricing basis for equity financing. Despite the Subscription Price being lower than average historical closing price per Share over the last 12 months, it is substantially higher than the negative net asset value per Share of negative HK\$1.67 as at 31 December 2020. Given the premium over the average closing price for the last five consecutive trading days immediately prior to the date of the Subscription and Capitalisation Agreement and the net asset value per Share, the thin trading volume of the Shares, the net loss position of the Group for the year ended 31 December 2020, and the current uncertainties in the capital market arising from the coronavirus pandemic, the Board is of the view that the Subscription price is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

The net issue price per Subscription Share (after deduction of professional fees and all related expenses which may be borne by the Company) is approximately HK\$1.13.

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

Conditions precedent

Completion is subject to the following conditions:

- (i) the Authorised Share Capital Increase having becoming effective;

LETTER FROM THE BOARD

- (ii) the Board having passed and approved the Subscription and Capitalisation Agreement and the transactions contemplated thereunder;
- (iii) the Independent Shareholders having approved the grant of the Specific Mandate and the terms and authorised the execution of and performance by the Company of its obligations under the Subscription and Capitalisation Agreement;
- (iv) the representations and warranties given by the Parties under such Subscription and Capitalisation Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading as at the date of Completion;
- (v) all other necessary consents, approvals, permits or licences from the relevant governmental or regulatory authorities or other third parties in relation to the transactions contemplated under the Subscription and Capitalisation Agreement having been obtained; and
- (vi) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission not subsequently being revoked or withdrawn.

None of the conditions set out above may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription and Capitalisation Agreement shall terminate neither of the Parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription and Capitalisation Agreement.

Completion

Completion shall take place on the Completion Date. If any of the Parties fails to proceed with Completion in accordance with the relevant Subscription and Capitalisation Agreement, the non-breaching party may: (i) postpone the Completion Date to a subsequent date which is not later than 28 days after; or (ii) terminate such Subscription and Capitalisation Agreement concerned.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance in the PRC.

LETTER FROM THE BOARD

The Subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber is an investment holding company incorporated in Hong Kong.

The Subscriber is a substantial shareholder of the Company, holding approximately 28,455,000 Shares, representing approximately 15.57% of the total number of issued Shares of the Company as at the Latest Practicable Date, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Subscriber first became a substantial Shareholder of the Company holding 339,100,000 Shares since August 2017. It had increased shareholdings in the Company by 130,000,000 Shares and 100,000,000 Shares in November and December 2017, respectively. Since then, the Subscriber owned an aggregate of 569,100,000 Shares which were further consolidated into 28,455,000 Shares upon the Share consolidation becoming effective on 7 January 2020. In addition, the Subscriber is wholly owned by Mogen Ltd., which is wholly-owned by Chongqing Saint, which is in turn owned as to 40.44% by Mr. Yuan Li and 17.02% by Mr. Xu Xinying, each an executive Director. The remaining 42.54% interests in Chongqing Saint is owned as to 14.8% by Xinyu Shengshang Mingyue Investment Management Centre (LLP)* (新余聖商明月投資管理中心(有限合夥)) (a limited liability partnership incorporated in the PRC and is in turn owned as to 80% and 20% by Mr. Yuan Yang, the brother of Mr. Yuan Li, and Mr. Xu Xinying, respectively), 3.7% by Hengqin Chengshan Investment Enterprise (LLP)* (橫琴誠善投資企業(有限合夥)) (a limited liability partnership incorporated in the PRC and is in turn owned as to 52.88%, 20%, 13.56% and 13.56% by Mr. Yuan Li, Mr. Yuan Yang, Mr. Sun Lejiu and a PRC individual who, to the best of the Directors' knowledge, is an Independent Third Party) and 24.04% by five other limited liability partnerships incorporated in the PRC and three PRC individuals which together with their respective ultimate beneficial owners (as the case maybe) are, to the best of the Directors' knowledge, Independent Third Parties.

BACKGROUND INFORMATION AND REASONS AND BENEFITS FOR THE LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Reference is made to the annual report of the Company for 2020 (“2020 AR”). Mr. Wu Jipeng, an Independent Third Party lender to the Company, had since 2018 granted numerous loans to the Group and had in 2019 acquired loans owed by the Group from other Independent Third Parties, and the relevant aggregate principal of loans amounted to RMB334.8 million (the “Loans”). Approximately RMB290.8 million of the Loans, was used for repayment of bank borrowings, and approximately RMB44 million was used to settle trade payables and as general working capital. It was disclosed in note 36(b)(i) to the consolidated financial statement in the 2020 AR that as at 31 December 2020, such Loans bear interests at fixed rates ranging from 5% to 6.5% per annum and were secured by certain assets held by the Group of approximately RMB150.5 million. The total outstanding debts owed to Mr. Wu by the Group amounted to approximately RMB134.1 million as at 31 December 2020. Despite the fact that Mr. Wu expressed to the Company in last quarter of 2020 concerns on his own financial position and explored for possibilities for early partial repayment due to the adverse impacts of the coronavirus pandemic on the overall economic condition, he had wrote a letter in December 2020 to allow an extension for repayment of the relevant outstanding debts to June 2023 out of good faith. In order to maintain good relationship with Mr. Wu, who has been supportive to the Company since 2018, the Company wished to accommodate Mr. Wu's request. Given

LETTER FROM THE BOARD

that the Company did not have sufficient cash for partial repayment and that the Group was not able to obtain funding from banks, the Board was of the view that the Company required additional funding for such repayment. On 10 November 2020 and 20 January 2021, the Subscriber entered into two loan agreements with the Company mainly for the purpose of partial repayment to Mr. Wu, pursuant to which the Subscriber granted loans of principal amount of HK\$30 million to the Company at 5% per annum for a period of three years and principal amount of HK\$10 million to the Company at 6% per annum for a period of one year, respectively. Subsequently, the Company agreed to the amount of HK\$35 million partial repayment to Mr. Wu in January 2021 after taking into consideration the fact that the Subscriber as the substantial shareholder of the Company was willing to support the Company by providing additional funding of HK\$10 million in January 2021 together with the HK\$30 million from the loan agreement dated November 2020. Accordingly, the Group repaid HK\$35 million to Mr. Wu in January 2021. As at the Latest Practicable Date, the proceeds from the Shareholders' Loan under the said two loans agreements had been utilized as partial repayment of HK\$35 million to Mr. Wu and approximately HK\$3 million as general working capital which was mainly comprised of fees to various professional intermediaries including but not limited to legal fees and fees to auditor of the Company. The unutilized proceeds have been placed as deposits with licensed banks in the PRC and Hong Kong and is also expected to be used as general working capital.

The discussion on the Subscription was initiated by the Company in March 2021 and such discussions came to fruition on 7 April 2021. Ms. Liu Simei, the chief executive officer and an executive Director of the Company was responsible for negotiation of terms of the Subscription and Capitalisation Agreement on behalf of the Company. As at the date of the Subscription and Capitalisation Agreement, the total outstanding amount (including principal and accrued interests) under the Shareholders' Loan amounted to approximately HK\$40,734,167. The Parties agreed that the entire Shareholders' Loan of the amount of HK\$40,734,167 shall be capitalised as consideration for the Subscription upon Completion. Accordingly, the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscription upon Completion. It shows the confidence and support of the substantial shareholder towards the long-term development of the Company.

For the year ended 31 December 2020, the Group recorded loss of approximately RMB85.0 million, total borrowings of approximately RMB400.6 million and finance costs of approximately RMB22.0 million. In particular, finance costs contributed substantially to and represented approximately 25.88% of the loss for the year. The Company is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs and to extending maturity dates of its borrowings. To achieve such goals, the Company has all along been negotiating extension of maturity dates of various loans with relevant lenders, and recently, the Company has been looking for opportunities to capitalise loans from various lenders through subscription of Shares. However, the Company was not able to come into consensus with the lenders other than the Subscriber for the main reason that the Company is still at a loss position, the Subscription pursuant to arm's length negotiation with the Subscriber is the best available option at the moment for the Company to achieve the said goals to lower liabilities and finance costs.

LETTER FROM THE BOARD

Set out below is a summary of assets and liabilities of the Company as at 31 December 2020:

	<i>RMB'000</i>
Non-current assets	242,596
Current assets ^(Note 1)	<u>172,068</u>
Total Assets	414,664
Non-current liabilities	
Borrowings	373,027
Lease liabilities	34,048
Provision for reinstatement costs	<u>648</u>
	407,723
Current liabilities	
Trade and bills payables	127,198
Accruals and other payables ^(Note 2)	50,569
Contract liabilities	26,130
Borrowings	27,579
Lease liabilities	17,316
Other current liabilities	53,560
Provision for litigations	9,972
Provision for reinstatement	<u>84</u>
	<u>312,408</u>
Total liabilities	<u><u>720,131</u></u>

Notes:

- (1) The RMB172,068,000 current assets payables as at 31 December 2020, includes, among other things, cash and cash equivalents of approximately RMB36.5 million.
- (2) The RMB50,569,000 accruals and other payables as at 31 December 2020, includes, among other things, the loan of HK\$30,000,000 granted by the Subscriber in November 2020 at 5% per annum for a period of three years, and subject to a clause to repay on demand.

LETTER FROM THE BOARD

Set out below are the details of borrowings of the Group as at 31 December 2020:

	Maturity	Outstanding balance as at 31 December 2020 RMB'000
Non-current		
Bonds payables	2023	8,532
Other borrowings ^(Note 1)	2022-2023	<u>364,495</u>
		373,027
Current		
Bank borrowings	2021	4,000
Other borrowings ^(Note 1)	2021	<u>23,579</u>
		<u>27,579</u>
Total		<u><u>400,606</u></u>

Note:

- (1) As at 31 December 2020, other borrowings comprise loans from (i) several Independent Third Parties (including Mr. Wu Jipeng) amounting to approximately RMB139.1 million; (ii) 2 entities controlled by the chairman of the Company (namely Guangdong Shengrong Jingfu Holdings Limited* (廣東聖融金服控股有限公司) and Beijing Qidian New Technology Group Limited* (北京奇點新科技集團有限公司)) amounting to approximately RMB56.3 million; (iii) Chongqing Saint amounting to approximately RMB192.4 million; and (iv) a related party (Mr. Yuan Yang, brother of the chairman of the Company) amounting to approximately RMB0.3 million.

Out of the total borrowings of approximately RMB400.6 million, approximately RMB27.6 million would be matured within one year from 31 December 2020. Although the Company had cash and cash equivalents of approximately RMB36.5 million as at 31 December 2020, it will leave the Company with very limited cashflow should it use all cash to satisfy the relevant current borrowings. In addition, for the year ended 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB140.3 million and the Group's non-current liabilities exceeded its non-current assets by approximately RMB165.1 million. The Board is of the view that the Company has a pressing need to reduce its level of liabilities in both the short-run and long-run. As mentioned above, since the Company was not able to come to agreement with lenders other than the Subscriber, the Subscription would be the best available option to the Company at the moment reduce its level of liabilities and it is also expected to have net proceeds of approximately HK\$690,984.36 for the Company's use to settle the trade and bills payables and as general working capital of the Group.

LETTER FROM THE BOARD

The Company had explored using other fund raising alternatives available to the Group for the repayment of the Shareholders' Loan such as debt financing, rights issue, open offer and Share placement. Given the loss position of the Group for the recent years, the Company considered that additional debt financing from banks or financial institutions may be subject to lengthy negotiations and unfavorable financing terms. The Company had approached at least five banks in the PRC for loans since November 2020, and all of them had rejected the Company's request for loans. In addition, the Company has not been able to identify other potential lenders at the moment. In addition, it is considered that an increase in the debt level and interest payments to be potentially arisen therefrom may put further financial burden on the Group. On the other hand, rights issue, open offer or Share placement would involve the identification of suitable underwriter(s)/placing agent(s) and to negotiate terms with the same, preparation of compliance and legal documentations with other application and administrative procedures which are relatively more time consuming and less cost effective. The Company had approached two placing agents and underwriters in April 2021 and was given to understand that they were generally not interested in assisting the matter in light of the net loss position of the Group in recent years, current net current liabilities position and recent performance and trading volume of the Shares. The Company was also offered unfavourable terms such that any placing/underwriting commission would likely exceed the cost under the Subscription without taking into account of further necessary professional fees. No consensus on other terms such as issue price could be reached. The Company considered that the chance for identifying a willing placing agent/underwriter with favourable terms very slim as long as the abovementioned financial positions of the Company subsisted and decided to look no further. Under the current volatile market condition, it is also difficult to ascertain market demand and to have certainty in successful fund raising.

In addition, although the allotment and issue of the Subscription Shares will have a dilution effect to the existing Shareholders, the Directors believe that the Subscription will alleviate the repayment pressure of the Group, improve the gearing ratio of the Company (a decrease of approximately 8.1% from 173.7% as at 31 December 2020 to approximately 165.57% after the capitalisation of the Shareholders Loan (assuming no change in total liabilities and total equity other than pursuant to the Subscription)), strengthen its financial position and capital structure and retain cashflow of the Group for its future business development and therefore it is considered that the dilution effect arising from the allotment and issue of the Subscription Shares is justifiable in this regard. Given the fact that the Group has been in loss position for the recent years, there is not any indication as at the Latest Practicable Date that the Share price may increase, and may equally be subject to the risk of further decreasing. In addition, if future Share price drops further or remains lower than the current Subscription Price, the dilution effect of subscription or other equity financing will increase which will be more undesirable to existing Shareholders. As such, there is no compelling reason for the Company to postpone the Subscription or the timing for other fundraising exercise in hope for a higher Share price.

LETTER FROM THE BOARD

In light of the current circumstances that (i) the Company is at a loss position with high level of borrowings and finance costs; (ii) the Company is not able to obtain additional debt financing from banks; (iii) the Company is not able to identify a willing placing agent/underwriter with favourable terms; (iv) no other lenders have agreed to capitalise the relevant loans; and (v) no indication as to likelihood for increase in Share price in the future, the Company considered that the Subscription would be the best available fundraising option for the Group which is more efficient and cost-effective compared to other alternative fundraising methods and in the interest of the Company and shareholders as a whole.

As the Subscriber is an associate of Mr. Yuan Li, and Mr. Xu Xinying is a shareholder of Chongqing Saint (the parent company of the Subscriber), Mr. Yuan Li and Mr. Xu Xinying are considered to have a material interest in the Subscription and had abstained from voting on the Board resolution(s) of the Company to approve the Subscription and Capitalisation Agreement and the transactions contemplated thereunder. Save as disclosed, no other Director has a material interest in the Subscription and therefore has abstained from voting on the board resolution(s) of the Company to approve the Subscription and Capitalisation Agreement and the transactions contemplated thereunder.

The Directors (other than Mr. Yuan Li and Mr. Xu Xinying who were required to abstain from voting and the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) consider the terms of the Subscription and Capitalisation Agreement to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

As at 31 December 2020, (i) the trade payables amounted to approximately RMB112.8 million which was comprised mainly of outstanding balances of approximately RMB58.9 million arising from purchases of goods from Yangzhou Suohai Electronics Co. Limited (揚州索海電子有限公司) and Jiangsu Zhipu Electronics Appliance Co. Ltd. (江蘇致普電器有限公司) made in previous years and trade balances of approximately RMB23.5 million due to Nanjing Ruihu Electronic Commercial Technology Co., Ltd. (南京瑞虎電子商務科技有限公司); and (ii) the bills payables arising from purchase of electrical appliances amounted to approximately RMB14.4 million. Save for the fact that Nanjing Ruihu Electronic Commercial Technology Co., Ltd. is an associate of the Group under Hong Kong Accounting Standards, all relevant sellers under the said trade and bills payables are, to the best of the knowledge, information and belief of the Directors, Independent Third Parties.

It is expected that the gross proceeds from the Subscription will be HK\$928,984.36. After deducting related professional fees and all related expenses to be borne by the Company under the Subscription, the net proceeds from the Subscription will amount to approximately HK\$690,984.36. The Company intends to use the net proceeds to settle the trade and bills payables and as general working capital of the Group.

LETTER FROM THE BOARD

FUND RAISING ACTIVITY BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcements	Fund raising activities	Net proceeds	Proposed use of the net proceeds	Actual use of the net proceeds as of 31 December 2020
18 May 2020 and 28 May 2020	Issue of an aggregate of 25,379,600 new Shares under general mandate	Approximately HK\$27.3 million	(i) As to approximately HK\$19.1 million for settlement of trade and bills payables; and (ii) as to approximately HK\$8.2 million as general working capital to finance the Group's businesses and fund potential developments	Fully applied in accordance with the proposed use of proceeds
7 September 2020, 16 September 2020 and 22 September 2020	Issue of an aggregate of 30,455,520 new Shares under general mandate	Approximately HK\$38.9 million	(i) As to approximately HK\$27.2 million for settlement of trade and bills payables; and (ii) as to approximately HK\$11.7 million as general working capital to finance the Group's businesses and fund potential developments	approximately HK\$15.3 million (i.e. approximately HK\$12.0 million for settlement of trade and bills payables; and approximately HK\$3.3 million as general working capital)

As at 31 December 2020, the net proceeds of approximately HK\$23.6 million had not yet been utilized, but are expected to be utilized during 2021 in accordance with the proposed use of proceeds as set out in the relevant announcement of the Company. Such unutilized proceeds have been placed as deposits with licensed banks in the PRC and Hong Kong.

Save as disclosed above, the Directors confirm that the Company has not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming no change in the authorised share capital and issued share capital of the Company between the Latest Practicable Date and up until the Completion (other than the proposed Authorised Share Capital Increase):

Name of Shareholder	As at the Latest Practicable Date		Immediately after Completion	
	<i>Approximate Number of Shares</i>	<i>% of issued Shares</i>	<i>Approximate Number of Shares</i>	<i>% of issued Shares</i>
The Subscriber ^(Note 1)	28,455,000	15.57	65,001,624	29.64
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) ^(Note 2)	23,755,306	13.00	23,755,306	10.83
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) ^(Note 3)	23,400,210	12.81	23,400,210	10.67
Public Shareholders	107,122,604	58.62	107,122,604	48.85
Total	182,733,120	100.00	219,279,744	100.00

Notes:

- (1) The 28,455,000 Shares as at the Latest Practicable Date were held by the Subscriber as beneficial owner. The Subscriber was 100% wholly-owned by Mogen Ltd., which was 100% wholly-owned by Chongqing Saint which was in turn owned as to 40.44% by Mr. Yuan Li and 17.02% by Mr. Xu Xinying, each an executive Director.
- (2) The 23,755,306 Shares as at the Latest Practicable Date were held by Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (“Oupu Shanwei”) as beneficial owner. Oupu Shanwei was 100% wholly-owned by Mr. Shan Weiwei.
- (3) The 23,400,210 Shares as at the Latest Practicable Date were held by Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (“Ruihong Yixing”) as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.
- (4) Certain amounts and percentages figures included in this table have been rounded to two decimal places. Any discrepancies in this table between total and sum of amounts listed therein are due to rounding.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber is a substantial shareholder holding approximately 28,455,000 Shares, representing approximately 15.57% of the total number of issued Shares of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription will constitute a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.36 of the Listing Rules, the Subscriber and its associates will be required to abstain from voting on the resolution(s) to approve the Subscription and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Subscription and Capitalisation Agreement and will be required to abstain from voting on the resolution(s) to approve the Subscription and Capitalisation Agreement and the transactions contemplated thereunder at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription and Capitalisation Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

PROPOSED INCREASE IN AUTHORISE SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is US\$4,000,000 divided into 200,000,000 Shares, of which 182,733,120 Shares are in issue. In order to facilitate the allotment and issue of the Subscription Shares and to accommodate the Company's future growth and expansion, the Board proposes to increase its authorised share capital from US\$4,000,000 divided into 200,000,000 Shares to US\$12,000,000 divided into 600,000,000 Shares by the creation of an additional 400,000,000 unissued Shares which will rank *pari passu* in all respects with the existing Shares. The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

LETTER FROM THE BOARD

EGM

Set out on pages 44 to 46 of this circular notice convening the EGM to be held at 11:00 a.m. on Monday, 31 May 2021 at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC for the purpose of considering and, if thought fit, (i) approving the Subscription and Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares; and (ii) approving the proposed Authorised Share Capital Increase.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the relevant resolution(s) at the EGM. Accordingly, the Subscriber and their respective associates shall be required to abstain from voting on the resolution(s) of the Company in approving the Subscription and Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, at the EGM. Save as aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription and Capitalisation Agreement and the transactions contemplated thereunder and is required to abstain from voting on the aforementioned resolution(s) of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.hyjd.com). Whether or not Shareholders are able to attend the EGM in person, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

In light of the ongoing COVID-19 pandemic, the Company wishes to remind Shareholders that physical attendance at the EGM should be carefully considered and strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy to vote as instructed on the relevant resolutions instead of attending the EGM in person.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both dates inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2021.

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that although the Subscription is not in the ordinary and usual course of the business of the Group, the terms of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder and the proposed Authorised Share Capital Increase to be on normal commercial terms fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Shareholders' attention is also drawn to (i) the letter from the Independent Board Committee as set out on pages 19 to 20 containing its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser as set out on pages 21 to 37 containing its advice to the Independent Board Committee and the Independent Shareholders together with the principal factors and reasons considered by it in concluding its advice; and (iii) Appendix I to this circular which sets out additional information.

Completion is subject to the satisfaction of the conditions precedent in the Subscription and Capitalisation Agreement, and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
By Order of the Board
Qidian International Co., Ltd
Yuan Li
Chairman



奇点国际有限公司
Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

13 May 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION
THROUGH SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 13 May 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires. We have been appointed as members of the Independent Board Committee to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription and Capitalisation Agreement are on normal commercial terms or better and are fair and reasonable; (ii) whether the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to voting at the EGM.

We wish to draw your attention to the letter from the Board, the letter of advice from Vinco Capital Limited and additional information in Appendix I as set out in the Circular.

Having considered the terms of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder and the advice given by Vinco Capital Limited, we are of the opinion that although the Subscription is not in the ordinary and usual course of the business of the Group, the terms of the Subscription and Capitalisation Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the Subscription, together with the proposed issue and allotment of Subscription Shares under the Specific Mandate, are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription and Capitalisation Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Zhao Jinyong
Independent
non-executive Director

Mr. Chen Rui
Independent
non-executive Director

Mr. Fung Tak Choi
Independent
non-executive Director

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Subscription and Capitalisation Agreement and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:



Vinco Capital Limited
Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

13 May 2021

To the Independent Board Committee and the Independent Shareholders of

Qidian International Co., Ltd.

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION THROUGH SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in fairness and reasonableness of the terms of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 13 May 2021 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 7 April 2021, in relation to, among other matters, the connected transaction in relation to loan capitalisation through Subscription of new Shares under Specific Mandate. On 7 April 2021 (after the Stock Exchange trading hours), the Company and the Subscriber entered into the Subscription and Capitalisation Agreement pursuant to which the Parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, 36,546,624 Subscription Shares at the Subscription Price of HK\$1.14 per Subscription Share. The aggregate Subscription Price of all the Subscription Shares of HK\$41,633,151.36 payable by the Subscriber shall be settled by way of capitalisation of the entire Shareholders' Loan of HK\$40,734,167, and the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscriber upon Completion.

LETTER FROM VINCO CAPITAL

As at the Latest Practicable Date, the Subscriber is a substantial shareholder holding approximately 28,455,000 Shares, representing approximately 15.57% of the total number of issued Shares of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription will constitute a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription and Capitalisation Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription together with the proposed issue and allotment of the Subscription Shares under the Specific Mandate are conducted in the ordinary and usual course of business of the Group, whether the Subscription is in the interests of the Company and the Shareholders as a whole and as to voting at the EGM. We have been appointed and approved by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Subscription and Capitalisation Agreement and the transactions contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the connected transaction contemplated under the Subscription and Capitalisation Agreement by the Company.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction contemplated under the Subscription and Capitalisation Agreement by the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. Also we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription and Capitalisation Agreement and the transactions contemplated thereunder of the Company.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its

LETTER FROM VINCO CAPITAL

subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents, among others: (i) the Subscription and Capitalisation Agreement; (ii) the loan agreements dated 10 November 2020 and 20 January 2021 in relation to the Shareholders' Loan; (iii) annual report of the Company for the year ended 31 December 2020 (the "**Annual Report 2020**"); and (iv) market comparables listed on Stock Exchange in relation to loan capitalisation through subscription of new shares, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Subscription and Capitalisation Agreement and the transactions contemplated under, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription and Capitalisation Agreement and the transactions contemplated under and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

With reference to the Annual Report 2020, the revenue of the Group decreased by approximately 25.3% from approximately RMB470.7 million for the year ended 31 December 2019 to approximately RMB351.7 million for the year ended 31 December 2020. The decrease in revenue of approximately RMB119.0 million was mainly attributable to the challenges posed by the COVID-19 pandemic and the decrease in customer traffic flow as a result of floods within the southern region of China.

The Group recorded a decrease in loss attributable to owners of the Company from approximately RMB108.8 million for the year ended 31 December 2019 to approximately RMB83.2 million for the year ended 31 December 2020.

The total assets of the Group amounted to approximately RMB414.7 million as at 31 December 2020, representing a decrease of approximately 12.8% as compared to that as at 31 December 2019. The total liabilities of the Group amounted to approximately RMB720.1 million as at 31 December 2020, representing a slight decrease of approximately 4.7% as compared to that as at 31 December 2019.

The Subscriber

The Subscriber is a substantial shareholder of the Company, holding approximately 28,455,000 Shares, representing approximately 15.57% of the total number of issued Shares of the Company as at the Latest Practicable Date, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. In addition, the Subscriber is wholly owned by Mogen Ltd., which is wholly-owned by Chongqing Saint, which is in turn owned as to 40.44% by Mr. Yuan Li and 17.02% by Mr. Xu Xinying, each an executive Director.

II. Reasons and benefits for the loan capitalisation through Subscription of new Shares under Specific Mandate and Use of proceeds

With reference to the Letter from the Board, Mr. Wu Jipeng, an Independent Third Party lender to the Company, had since 2018 granted numerous loans to the Group and had in 2019 acquired loans owed by the Group from other Independent Third Parties, and the relevant aggregate principal of loans amounted to RMB334.8 million (the “Loans”). Approximately RMB290.8 million of the Loans, was used for repayment of bank borrowings, and approximately RMB44 million was used to settle trade payables and as general working capital. It was disclosed in note 36(b)(i) to the consolidated financial statement in the Annual Report 2020 that as at 31 December 2020, such Loans bear interests at fixed rates ranging from 5% to 6.5% per annum and were secured by certain assets held by the Group of approximately RMB150.5 million. The total outstanding debts owed to Mr. Wu by the Group amounted to approximately RMB134.1 million as at 31 December 2020. Despite the fact that Mr. Wu expressed to the Company in last quarter of 2020 concerns on his own financial position and explored for possibilities for early partial repayment due to the adverse impacts of the coronavirus pandemic on the overall economic condition, he had wrote a letter in December 2020 to allow an extension for repayment of the relevant outstanding debts to June 2023 out of good faith. In order to maintain good relationship with Mr. Wu, who has been supportive to the Company since 2018, the Company wished to accommodate Mr. Wu’s request. Given that the Company did not have sufficient cash for partial repayment and that the Group was not able to obtain funding from banks, the Board was of the view that the Company required additional funding for such repayment. On 10 November 2020 and 20 January 2021, the Subscriber entered into two loan agreements with the Company mainly for the

LETTER FROM VINCO CAPITAL

purpose of partial repayment to Mr. Wu, pursuant to which the Subscriber granted loans of principal amount of HK\$30 million to the Company at 5% per annum for a period of three years and principal amount of HK\$10 million to the Company at 6% per annum for a period of one year, respectively. Subsequently, the Company agreed to the amount of HK\$35 million partial repayment to Mr. Wu in January 2021 after taking into consideration the fact that the Subscriber as the substantial shareholder of the Company was willing to support the Company by providing additional funding of HK\$10 million in January 2021 together with the HK\$30 million from the loan agreement dated November 2020. Accordingly, the Group repaid HK\$35 million to Mr. Wu in January 2021. As at the Latest Practicable Date, the proceeds from the Shareholders' Loan under the said two loans agreements had been utilized as partial repayment of HK\$35 million to Mr. Wu and approximately HK\$3 million as general working capital which was mainly comprised of fees to various professional intermediaries including but not limited to legal fees and fees to auditor of the Company. The unutilized proceeds have been placed as deposits with licensed banks in the PRC and Hong Kong and is also expected to be used as general working capital.

The discussion on the Subscription was initiated by the Company in March 2021 and such discussions came to fruition on 7 April 2021. Ms. Liu Simei, the chief executive officer and an executive Director of the Company was responsible for negotiation of terms of the Subscription and Capitalisation Agreement on behalf of the Company. As at date of the Subscription and Capitalisation Agreement, the total outstanding amount (including principal and accrued interests) under the Shareholders' Loan amounted to approximately HK\$40,734,167. The Parties agreed that the entire Shareholders' Loan shall be capitalised as consideration for the Subscription upon Completion. Accordingly, the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscriber upon Completion. It shows the confidence and support of the substantial shareholder towards the long-term development of the Company.

For the year ended 31 December 2020, the Group recorded loss of approximately RMB85.0 million, total borrowings of approximately RMB400.6 million and finance costs of approximately RMB22.0 million. In particular, finance costs contributed substantially to and represented approximately 25.88% of the loss for the year. The Company is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs and to extending maturity dates of its borrowings. To achieve such goals, the Company has all along been negotiating extension of maturity dates of various loans with relevant lenders, and recently, the Company has been looking for opportunities to capitalise loans from various lenders through subscription of Shares. However, the Company was not able to come into consensus with the lenders other than the Subscriber for the main reason that the Company is still at a loss position, the Subscription pursuant to arm's length negotiation with the Subscriber is the best available option at the moment for the Company to achieve the said goals to lower liabilities and finance costs.

It is expected that the gross proceeds from the Subscription will be HK\$928,984.36. After deducting related professional fees and all related expenses to be borne by the Company under the Subscription, the net proceeds from the Subscription will amount to approximately HK\$690,984.36. The Company intends to use the net proceeds to settle the trade and bills payables and as general working capital of the Group.

LETTER FROM VINCO CAPITAL

Loan capitalisation

For our due diligence purpose, we have obtained and reviewed the conditions set out under the relevant loan agreements and ascertained the disclosure as set out below:

	Total outstanding amount as at 7 April 2021 (HKD)	Maturity Dates	Interest Rate (p.a.)	Accrued interest as at the maturity date (HKD)	Total outstanding amount as at the maturity date (HKD)
Loan Agreement 1	30,612,500	11 November 2023	5.0%	4,500,000	34,500,000
Loan Agreement 2	10,121,667	24 January 2022	6.0%	600,000	10,600,000

With reference to the Annual Report 2020, the Group's total borrowings including bank borrowings amounted at approximately RMB400.6 million as at 31 December 2020 while recording finance cost of approximately RMB22.0 million for the respective year. For illustrative purpose, the Shareholders' Loan of approximately HK\$40.7 million (or approximately RMB34.3 million) represents approximately 8.6% of the Group's total borrowings as at 31 December 2020, and we understood that the accrued interest of the Shareholders' Loan as at its respective maturity date may accumulate an unnecessary amount of approximately HK\$5.1 million (or approximately RMB4.3 million), representing close to 20% of the recorded finance cost for the latest financial year ended 31 December 2020. Further to our analysis, we understood that the Share price as at the date of the Subscription and Capitalisation Agreement appears low in comparison to the preceding twelve months and may appear to have reflected a less favourable Subscription Price. We also understood that the maturity dates of the Shareholders' Loan setting out in 2022 and 2023 may not reflect immediate attention in conducting the loan capitalisation. Having considered that the Company recorded loss for the two years ended 31 December 2020, we understood from the Directors that there are no current indication as at the Latest Practicable Date that the Share price may increase, or may equally subject to the risk of decreasing, prior to the maturity dates of the Shareholders' Loan. We also understood that assuming the loan capitalisation was conducted at a later date immediately preceding to the maturity dates of the Shareholders' Loan, the subsequent aggregate subscription price would accumulate unnecessary interest up to an additional HK\$5.1 million.

Having considered the aforementioned above, we are of the view that there are no immediate indication that postponing the timing of the loan capitalisation would lead to a more favourable Subscription Price and its overall risk may not outweigh the current terms set out in the Subscription and Capitalisation Agreement.

In addition to the details in relation to the Shareholders' Loan, we have obtained and reviewed the terms and calculations of the borrowings from lenders other than the Subscriber (the "**Existing Lenders**") including bank loan and other borrowings (the "**Remaining Borrowings**"). We noted that the Remaining Borrowings due to the relevant lenders as at 31 December 2020 consisted respective aggregate amounts ranging from HK\$1.0 million to HK\$174.6 million with interest rates ranging from 5.0 — 6.5% per annum. Based on our discussion with the Directors, we understood that out of the total borrowings of approximately RMB400.6 million, approximately RMB27.6 million would be matured

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within one year from 31 December 2020. Although the Company had cash and cash equivalents of approximately RMB36.5 million as at 31 December 2020, it will leave the Company with very limited cashflow should it use all cash to satisfy relevant current borrowings on each respective maturity dates due in 2021. We also understood from our discussion with the Directors that the Group had approached all Existing Lenders of the Remaining Borrowings in relation to potential loan capitalisation by subscription of the Group's shares. The Directors confirmed that the Company could not reach an agreement with the Existing Lenders in relation to potential subscription of the Shares and capitalisation of any existing loans due prior to the Shareholders' Loan despite extensive negotiations on an arm's length basis. As part of our due diligence, we have obtained and reviewed the correspondences between the Company and the Existing Lenders and concur with the Directors' view that the Existing Lenders were not agreeable with the Company's proposal in capitalisation of any existing loans by subscription of new Shares. Further to our discussion, the Directors confirm that the Group had only been successful to come to an agreement with the Subscriber according to the terms set out in the Subscription and Capitalisation Agreement. Having considered that the Group's current liabilities exceeded its current assets for the year ended 31 December 2020 by approximately RMB140.3 million and the Group's non-current liabilities exceeded its non-current assets for the respective year by approximately RMB165.1 million, we concur with the Directors' view that the Company has a pressing need to reduce its level of liabilities in both the short-run and long-run. Although it may be deemed preferable to alleviate existing loans due prior to the Shareholders' Loan, we understood that this could not be made available as an option in the same opportunity and bearing a comparatively lower cost made available by the Subscriber. Having considered the above, we are of the view that the Subscription would be an equally favourable option in the long-run to reduce the Company's level of liabilities and concur with the Directors' view that the Subscription will alleviate the repayment pressure of the Group, strengthen its financial position and capital structure and retain cashflow of the Group despite taking into account of the dilution effect arising from the allotment and issue of the Subscription Shares.

Alternative fund-raising methods considered

As mentioned in the Letter from the Board, the Company had explored other fund raising alternatives available to the Group for the repayment of the Shareholders' Loan such as debt financing, rights issue, open offer and Share placement. After discussing with the Directors, we are given to understand that the Board had resolved to loan capitalisation through subscription of new shares in meeting its funding needs as disclosed in the reasons as follows:

(i) Debt financing

As discussed with the Directors, we understood that the Board has considered additional debt financing from banks or financial institutions, but given the loss position of the Company for the recent years, the Company was advised with unfavourable interest rates and financing terms. As part of our due diligence, we have obtained and reviewed the correspondences between the Company and five potential banks. As confirmed by the Directors, we understood that these banks had rejected the Company's proposed request for loan at a favourable interest rate. Subject to the potential additional interest burden for the Company, the Directors considered the lengthy due diligence and negotiations with banks as a result of debt financing would be undesirable as the additional borrowings would potentially increase the Company's finance cost in the long run, adding to the increasing trend in the Company's gearing ratio as a whole. We understood that the Company had also faced difficulties in

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identifying other potential lenders offering similar interest rates to the Shareholders' Loan with subsequent negotiation for potential loan capitalisation by subscription of new Shares. Based on our discussion with the Directors that further debt financing would only alleviate the Company's repayment pressure, we concur with the Directors' view that debt financing and its respective finance cost would generally be undesirable in the long-run.

(ii) Rights issue, open offer and Share placement

As discussed with the Directors, we understood the option of rights issue, open offer and Share placement had also been considered in the form of other fund raising alternatives. We understood that the Company had approached two placing agents and underwriters in April 2021 and was given to understand that they were generally not interested in assisting the matter. The Company was also offered unfavourable terms that such placing/underwriting commission would likely exceed the cost under the Subscription without taking into account of further necessary professional fees. Having obtained and reviewed correspondence between the Group and potential underwriters, we noted that the potential cost for the aforementioned fund raising alternatives for the same proceed amount will likely exceed HK\$600,000, representing more than 1.5 times of the cost under the Subscription without taking into account of further necessary professional fees.

Based on the offered terms set out in the correspondence between potential underwriters and the Company and the Group's net loss and net current liabilities position in recent years, we are of the view that the Company may not be offered more agreeable terms regardless of the time available to negotiate prior to the maturity dates of the Shareholders' Loan, and may only be in a more favourable position to negotiate subject to a better financial position in the next financial year. Having considered above, we concur with the Directors' view that the chance of identifying a willing placing agent/underwriter with favourable terms remain slim as long as the abovementioned financial positions of the Company subsisted.

Based on our analysis above, having considered that (i) the capitalisation of the Shareholders' Loan would allow the Company to ease the repayment pressure and lower the level of its gearing ratio; (ii) the capitalisation of other existing loan due prior to the Shareholders' Loan had not been made agreeable by the Existing Lenders; (iii) net loss recorded by the Company during recent years does not show indication that postponing the timing of the loan capitalisation would lead to a more favourable Subscription Price; (iv) debt financing would potentially increase the finance cost and gearing ratio in the long run; (v) unfavourable terms were reached between the Group and potential banks and underwriters for respective alternative fund-raising methods; and (vi) the Company may not be offered more agreeable terms for alternative fund-raising methods regardless of the time available to negotiate due to the Group's net loss and net current liabilities position in recent years, we are of the view that the Subscription is a suitable source of fundraising to improve the Group's liquidity by reducing its level of liabilities in the long-run and therefore being in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Group.

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III. The Subscription and Capitalisation Agreement

With reference to the Letter of the Board, the key terms of the Subscription and Capitalisation Agreement are as follows:

Date

7 April 2021 (after the Stock Exchange trading hours)

Parties

The Company (as issuer) and the Subscriber (as the subscriber)

Number of Subscription Shares

The 36,546,624 Subscription Shares, represent (i) approximately 20% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no change in the authorised share capital and issued share capital of the Company between the Latest Practicable Date and up until the Completion (other than the proposed Authorised Share Capital Increase). The aggregate nominal value of the Subscription Shares is US\$730,932.48.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

Subscription Price

The Subscription Price is HK\$1.14 per Subscription Share, and the aggregate Subscription Price of all the Subscription Shares of HK\$41,663,151.36 payable by the Subscriber shall be settled by way of capitalisation of the entire Shareholders' Loan of HK\$40,734,167, and the remaining balance of the aggregate Subscription Price of HK\$928,984.36 will be settled by cash by the Subscriber upon Completion.

As stated in the Letter from the Board, the Subscription Price was determined with reference to the higher of:

- (i) the average closing price as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Capitalisation Agreement, being HK\$1.098; and
- (ii) the closing price as quoted on the Stock Exchange on the date of the Subscription and Capitalisation Agreement, being HK\$1.14 (representing a premium of approximately 3.8% to the average closing price for the last five consecutive trading days).

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The Subscription Price also represented (i) a discount of approximately 1.72% to the closing price per Share of HK\$1.16 on the Latest Practicable Date; and (ii) a discount of approximately 16.79% to the average closing price per Share of HK\$1.37 for the twelve-month period from 7 April 2020, up to and including 7 April 2021, being the date of the Subscription and Capitalisation Agreement.

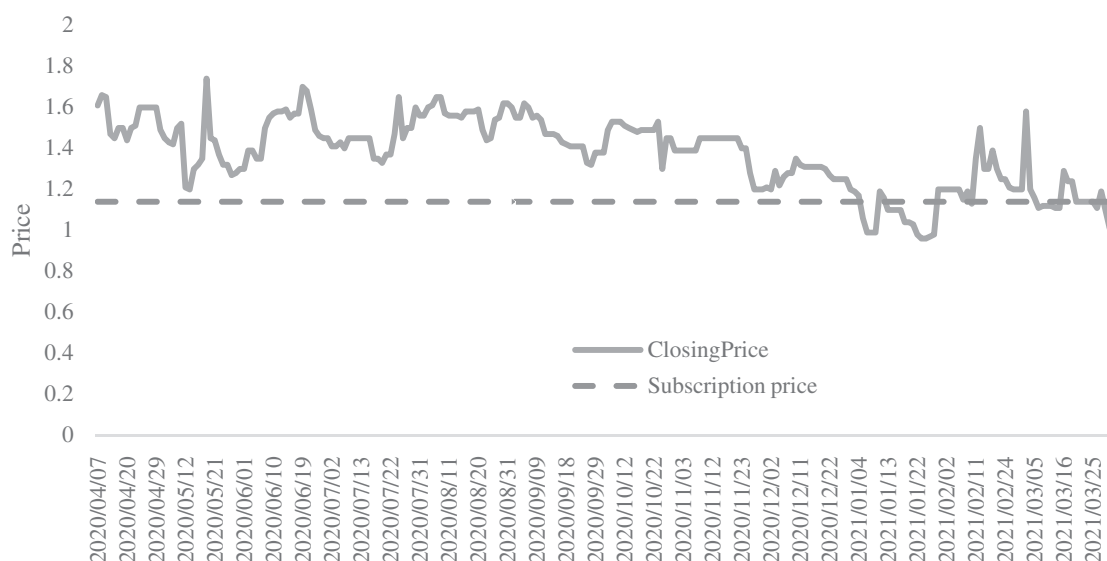
The Subscription Price was also determined, among others, with reference to (i) the prevailing market price of the Shares and the market conditions; and (ii) the funding needs and financial position of the Group and was negotiated on an arm's length basis between the Company and the Subscriber.

In order to assess the fairness and reasonableness of the Subscription Price and its subscription ratio, we compared with reference to (i) the recent price performance of the Shares and trading liquidity of the Company; and (ii) the market comparables analysis, as follows:

Share prices and trading liquidity of the Company

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 7 April 2020, up to and including 7 April 2021, being the Last Trading Day, (the “**Review Period**”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.

Daily closing price of the Shares during the Review Period



Source: The Stock Exchange

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	Total volume of the Shares traded	Number of trading days	Average Daily Volume (Shares)	Number of issued Shares as at end of the period /month (Shares)	Approximately % of average daily trading volume to the then total number of issued Shares as at end of the period/ month (Note 3)
2020					
April (Note 1)	437,100	15	29,140	126,898,000	0.023%
May	597,525	20	29,876	152,277,600	0.020%
June	612,000	21	29,143	152,277,600	0.019%
July	921,100	22	41,868	152,277,600	0.027%
August	701,000	21	33,381	152,277,600	0.022%
September	468,200	22	21,282	182,733,120	0.012%
October	134,800	18	7,489	182,733,120	0.004%
November	452,500	21	21,548	182,733,120	0.012%
December	143,300	22	6,514	182,733,120	0.004%
2021					
January	341,500	20	17,075	182,733,120	0.009%
February	335,900	18	18,661	182,733,120	0.010%
March	467,200	23	20,313	182,733,120	0.011%
April (Note 2)	88,000	2	44,000	182,733,120	0.024%

Source: The Stock Exchange

Notes:

1. The Review Period commenced on 7 April 2020
2. The Review Period ended on 7 April 2021.
3. Based on the total number of issued Shares as at end of the period/month.

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As shown in the chart above, the daily closing price of the Shares during the Review Period ranged from the lowest of HK\$0.96 per Share on 25 and 26 January 2021 to the highest of HK\$1.74 per Share, after adjustments, on 19 May 2020. The average closing price of Shares within the Review Period was approximately HK\$1.37 per Share. Although the Subscription Price represents a discount of approximately 16.8% to the average closing price of Shares within the Review Period, we noted that the Subscription Price represents (i) a premium of approximately 3.8% to the average closing price for the last five consecutive trading days at HK\$1.098; and (ii) a premium of approximately 6.5% to the average closing price of approximately HK\$1.07 per Share since 22 March 2021, being the publication date of the Group's results announcement for the year ended 31 December 2020, up to the Latest Practicable Date, and may better reflect the Group's closing price per Share with its loss position for the respective year.

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily volume was approximately 0.9 million Shares in July 2020, representing approximately 0.027% of the total number of Shares as at Latest Practicable Date. We also notice that the average daily trading liquidity of the Shares were very thin during the Review Period, with all months less than 1% to the then total number of issued Shares as at the end of their respective period/month. Further to our discussion with the Directors, we concur with the Directors' view that issuance of new Shares to potential investors as an alternative to raise funds will likely require considerable level of discount to the prevailing market price of the Shares as an incentive and would be difficult for the Group to pursue fund raising of similar sizable equity in the repayment of the Shareholders' Loan.

Comparison with recent connected subscription transactions

To further assess the fairness and reasonableness of the Subscription, we have selected and identified a list of comparable transactions based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) companies that had published announcements in relation to subscription of new shares under specific mandate by connected persons (excluding issues under share award or restructuring scheme) with the proceeds used for the repayment of loans (the "**Comparables**") during the period from 1 October 2020 up to 7 April 2021 (the "**Comparable Period**"), being approximately six months prior to entering into the Subscription and Capitalisation Agreement. We have restricted our comparison to subscriptions by connected persons as we consider transactions such as placing, rights issue and open offer in the market tend to be conducted at a discount to their respective last trading days in order to attract its existing shareholders to subscribe, and may therefore distort our comparable analysis. We are of the view that the aforementioned criteria to be exhaustive and that the Comparable Period would provide us with the recent relevant information on the market sentiment, which plays an important role in the determination of the subscription price in general. We also noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the relevant transactions of the Comparables may vary from companies with different financial standings, business performance and future prospects. We have also disregarded the relevance of comparing the size and proceeds of subscriptions carried out by the Comparables as they vary in proportion to their respective size of loan proposed for capitalisation. Since the Comparables

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are the recent transactions announced to the public, we consider that they could still represent the recent trend of relevant transactions in the prevailing market condition and could provide a general reference for the terms of the subscription price. Our relevant findings are summarised in the table below:

Date of announcement	Company	Stock Code	Premium/ (Discount) of subscription price to/over the closing price on the last trading date prior to the date of the corresponding agreement <i>(Approximate %)</i>	Premium/ (Discount) of subscription price to/over the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement <i>(Approximate %)</i>
18 Mar 2021	Greatwalle Inc.	8315	(6.780)	(5.498)
22 Feb 2021	MH Development Limited	2662	(98.420)	(97.410)
25 Jan 2021	Risecomm Group Holdings Limited	1679	18.800	14.800
20 Jan 2021	China Finance Investment Holdings Limited	875	(18.370)	(19.840)
27 Nov 2020	Polyard Petroleum International Group Limited	8011	30.400	21.600
24 Nov 2020	Zensun Enterprises Limited	185	(4.170)	(0.860)
		Maximum	30.400	21.600
		Minimum	(98.420)	(97.410)
		Average	(13.090)	(14.248)
	The Company	1280	—	3.825

Source: The Stock Exchange

Based on the above table, we noted that:

- (i) the subscription prices to the closing price per share on the last trading day prior to the date of the corresponding agreement of the Comparables ranged from a premium of approximately 30.400% to a discount of approximately 98.420%, with the average at discount of approximately 13.090%. There is no discount or premium in the Subscription Price, being the same value as the closing price on the date of the Subscription and Capitalisation Agreement, which is within the range of the Comparables; and

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- (ii) the subscription prices to the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement of the Comparables ranged from a premium of approximately 21.600% to a discount of approximately 97.410%, with the average at a discount of approximately 14.248%. The premium of the Subscription Price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the Subscription and Capitalisation Agreement is 3.825%, which is within the range of the Comparables;

Having considered (i) the reason for the Subscription and Capitalisation Agreement and proceeds could allow cashflow retained for future business development as set out above; (ii) the Subscription Price is the same value as the closing price of the Shares on the date of the Subscription and Capitalisation Agreement, and falls within the relevant range of the Comparables; (iii) the premium represented by the Subscription Price to the average closing price per share for the last five consecutive trading days immediately prior to the date of the Subscription and Capitalisation Agreement falls within the relevant range of the Comparables and may be deemed more favourable to the Company than most of the general market practice represented by the Comparables, we are of the view that the Subscription Price is fair and reasonable, and thus is in the interests of the Company as a whole.

IV. Potential dilution effects of the Subscription

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming no change in the authorised share capital and issued share capital of the Company between the date of this announcement and up until the Completion (other than the proposed Authorised Share Capital Increase):

Name of Shareholder	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares
The Subscriber	28,455,000	15.57	65,001,624	29.64
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (Note 2)	23,755,306	13.00	23,755,306	10.83
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	23,400,210	12.81	23,400,210	10.67
Public Shareholders	<u>107,122,604</u>	<u>58.62</u>	<u>107,122,604</u>	<u>48.85</u>
Total	<u>182,733,120</u>	<u>100.00</u>	<u>219,279,744</u>	<u>100.00</u>

Notes:

- The 28,455,000 Shares as at the Latest Practicable Date were held by the Subscriber as beneficial owner. The Subscriber was 100% wholly-owned by Mogen Ltd., which was 100% wholly-owned by Chongqing Saint which was in turn owned as to 40.44% by Mr. Yuan Li and 17.02% by Mr. Xu Xinying, each an executive Director.

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2. The 23,755,306 Shares as at the Latest Practicable Date were held by Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (“Oupu Shanwei”) as beneficial owner. Oupu Shanwei was 100% wholly-owned by Mr. Shan Weiwei.
3. The 23,400,210 Shares as at the Latest Practicable Date were held by Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際/有限公司) (“Ruihong Yixing”) as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.
4. Certain amounts and percentages figures included in this table have been rounded to two decimal places. Any discrepancies in this table between total and sum of amounts listed therein are due to rounding.

We noted that the shareholding of the existing public Shareholders would decrease from approximately 58.62% to approximately 48.85% immediately after the Completion, representing a dilution effect of approximately 9.77%. Although the Subscription will incur dilution effect on the shareholding of the existing Shareholders, having taken into account (i) the Subscription can relieve part of the Group’s existing loan without depleting its existing financial resources and reduce future financing costs; (ii) the result of the loan capitalisation can lower the gearing ratio of the Group; and (iii) the proceeds from the Subscription could allow cashflow retained for future business development, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

V. Possible financial effects of the Subscription

Upon Completion, the Subscription Shares will be recognised entirely as equity of the Company which in turn will enlarge the capital base and enhance the net asset position of the Company. With reference to the Annual Report 2020, the gearing ratio of the Group (defined as the total liabilities divided by the sum of total equity and total liabilities) was approximately 173.7% as at 31 December 2020. As part of the Group’s total borrowings would be capitalised as consideration for the Subscription upon Completion whilst the total equity of the Group would be enlarged upon Completion, it is expected that the Subscription would reduce the gearing ratio of the Group.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the terms of the Subscription and Capitalisation Agreement including (i) the Subscription will relieve part of the Group’s financial burden, reduce future financing costs and improve the liquidity position of the Group; (ii) the Subscription is considered to be a preferred method of equity financing considering the unfavourable terms offered for other fund raising alternatives under the loss position of the Group and the recent market volatility; (iii) the value of the closing price and the premium to the average closing price of the last five consecutive trading days prior to the date of the Subscription and Capitalisation Agreement represented by the Subscription Price falls within the relevant range of the Comparables, we are of the view that the terms of the Subscription and Capitalisation Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, although it is not conducted in the ordinary and usual

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course of business of the Group. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

a. Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the SFO) which are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to therein, or under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 14 in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Yuan Li	The Company	Interest of controlled corporation (Note 1)	28,455,000 Shares (L)	15.57%

(L) denotes long position

Note:

- (1) The 28,455,000 Shares were held by the Subscriber as beneficial owner. The Subscriber was 100% wholly-owned by Mogen Ltd. and Mogen Ltd. was 100% wholly-owned by Chongqing Saint which was owned by Mr. Yuan Li, an Executive Director as to 40.44%.

b. Interests in assets of the Group

As at the Latest Practicable Date, none of the Directors are considered to have interests, either directly or indirectly, in any assets which have been (or are proposed to be) acquired, disposed of or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

c. Interests in contracts or arrangements of significance

As at the Latest Practicable Date, there is no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party, subsisting, and in which a Director had, whether directly or indirectly, a material interest.

d. Interests in competing business

As at the Latest Practicable Date, none of the Directors or any of their respective close associates is considered to have interests, either directly or indirectly, in a business which competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of those persons (other than Directors whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd. ^(Note 1)	The Company	Interest of controlled Corporation	28,455,000 shares (L)	15.57%
Noble Trade International Holdings Limited (聖行國際集團有限公司) ^(Note 1)	The Company	Beneficial owner	28,455,000 shares (L)	15.57%

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有 限公司) (Note 1)	The Company	Interest of controlled corporation	28,455,000 shares (L)	15.57%
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控 股有限公司) (Note 2)	The Company	Beneficial owner	23,755,306 shares (L)	13.00%
Shan Weiwei (Note 2)	The Company	Interest of controlled corporation	23,755,306 shares (L)	13.00%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有 限公司) (Note 3)	The Company	Beneficial owner	23,400,210 shares (L)	12.81%
Sun Yan (Note 3)	The Company	Interest of controlled corporation	23,400,210 shares (L)	12.81%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有 限公司) (Note 4)	The Company	Beneficial owner	13,679,604 shares (L)	7.49%
Chen Bo (Note 4)	The Company	Interest of controlled corporation	13,679,604 shares (L)	7.49%

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	7.17%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	7.17%
BOCE(Hong Kong) Co., Limited (Note 5)	The Company	Beneficial owner	13,095,000 shares (L)	7.17%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) (Note 6)	The Company	Beneficial owner	11,955,181 shares (L)	6.54%
Cao Kuanping (曹寬平) (Note 6)	The Company	Interest of controlled corporation	11,955,181 shares (L)	6.54%
Mao Shanzhen (茅善珍) (Note 6)	The Company	Spouse interest	11,955,181 shares (L)	6.54%

(L) Denotes long position

Notes:

- (1) The 28,455,000 Shares were held by the Subscriber as beneficial owner. The Subscriber was 100% wholly-owned by Mogen Ltd. which was 100% wholly-owned by Chongqing Saint which was owned as to 40.44% by Mr. Yuan Li, an Executive Director.
- (2) The 23,755,306 Shares were held by Oupu Shanwei as beneficial owner. Oupu Shanwei was 100% wholly-owned by Mr. Shan Weiwei.
- (3) The 23,400,210 Shares were held by Ruihong Yixing as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.

- (4) The 13,679,604 Shares were held by Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (“Teng Chun Tak Sing”) as beneficial owner. Teng Chun Tak Sing was 100% wholly-owned by Mr. Chen Bo.
- (5) The 13,095,000 Shares were held by BOCE (Hong Kong) Co., Limited (“BOCE”) as beneficial owner. BOCE was wholly owned by Baoshi (Tianjin) E-commerce Company Limited which was owned by Tianjin Bohai Commodity Exchange Corporation as to 99%.
- (6) The 11,955,181 Shares were held by China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) (“Ruike”) as beneficial owner. Mr. Cao Kuanping holds 100% interests of Ruike. Ms. Mao Shanzhen is the spouse of Mr. Cao Kuanping.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice contained in this circular:

Name	Qualification
Vinco Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Vinco Capital was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, Vinco Capital did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

The English names of the PRC entities mentioned in this circular marked “*” which are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail. Save for the abovementioned, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company in Hong Kong from the Latest Practicable Date, up to and including the date of the EGM.

- (a) the Subscription and Capitalisation Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders (the text of which is set out on pages 19 to 20 of this circular);
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders (the text of which is set out on pages 21 to 37 of this circular); and
- (d) the letter of consent from the expert referred to under the section headed “Expert and Consent” in this appendix.

NOTICE OF EGM



奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1280)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholder(s)**”) of Qidian International Co., Ltd. (the “**Company**”) will be held at 11:00 a.m. on Monday, 31 May 2021 at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the increase in the authorised share capital of the Company from US\$4,000,000 divided into 200,000,000 shares of the Company (“**Shares**”, each a “**Share**”) of US\$0.02 each to US\$12,000,000 divided into 600,000,000 Shares by creating an additional 400,000,000 unissued Shares (the proposed “**Authorised Share Capital Increase**”) be and is hereby approved; and
- (ii) any one of the directors of the Company (the “**Director(s)**”) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by his/her to be necessary, desirable or expedient to carry out or give effect to proposed Authorised Share Capital Increase.”

2. “**THAT**

- (i) the subscription and capitalisation agreement (the “**Subscription and Capitalisation Agreement**”) dated 7 April 2021 entered into between the Company as issuer and Noble Trade International Holdings Limited (聖行國際集團有限公司) as subscriber in relation to, the proposed subscription of 36,546,624 Shares (the “**Subscription Shares**”) at the subscription price of HK\$1.14 per Subscription Shares to, among other things, capitalise the amount owed by the Group to the Subscriber of approximately HK\$40,734,167 as at the date of the Subscription and Capitalisation Agreement on and subject to the terms and conditions thereof (a copy of the

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Subscription and Capitalisation Agreement marked “A” and signed by the chairman of the EGM for identification purpose has been tabled at the EGM), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

- (ii) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the Subscription Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue 36,546,624 new Shares in accordance with the terms and conditions of the Subscription and Capitalisation Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (iii) any one Director be and is hereby authorised to sign and execute perfect and deliver all such documents and deeds, and do all such acts, matters and things as the case may be which in his/her opinion may be necessary, desirable or expedient to carry out or give effect to transactions under the Subscription and Capitalisation Agreement and the allotment and issue of the Subscription Shares.”

Yangzhou, PRC, 13 May 2021

Yours faithfully,
By Order of the Board
Qidian International Co., Ltd
Yuan Li
Chairman

Notes:

1. All resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Company’s articles of association. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company (“**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.

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3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the office of the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2021.

As at the date of this notice, the Board of Directors of the Company comprises four executive Directors, namely Mr. Yuan Li, Mr. Xu Xinying, Ms. Liu Simei, and Mr. Sun Lejiu, one non-executive Director, namely Ms. Xu Honghong and three independent non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi.