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奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
PREVIOUSLY ANNOUNCED CONNECTED TRANSACTION AT
SUBSIDIARY LEVEL IN RELATION TO EQUITY PLEDGE**

Reference is made to the announcements of Qidian International Co., Ltd. dated 20 May 2020 and 14 April 2023 (the “**Announcements**”) in relation to the connected transaction at subsidiary level in relation to an equity pledge. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Board wishes to provide the Shareholders and potential investors with additional information in relation to the connected transaction as follows:

(a) The reasons for further extension of the settlement date by 2 years

As disclosed in the Company’s annual reports for the 3 years ended 31 December 2022, the Company’s business segments have been affected by the COVID-19 pandemic and the Company has recorded a consecutive drop in total revenue from around RMB470,731,000 for the year ended 31 December 2019 to around RMB262,348,000 for the year ended 31 December 2022. However, as the PRC gradually moves away from COVID-19 containment measures such as citywide lockdowns and mass testing, the Company is optimistic that its business outlook will improve in the coming years.

The Company has communicated with the Minority Shareholder about how the adverse business environment in the PRC during the period from early 2020 to early 2023 as a result of the severe impact brought about by the COVID-19 pandemic has materially affected the Company's ability to resolve and settle the Contingent Consideration and the Minority Shareholder has understood and agreed to extend the settlement date by 2 years by entering into the 2nd supplemental agreement with the Company as disclosed on 14 April 2023 ("**2nd Supplemental Agreement**").

(b) Progress of the settlement of the Contingent Consideration

Pursuant to the Co-Operation Agreement, the Minority Shareholder shall be entitled to the consideration and the bonus consideration, collectively the Contingent Consideration, to be determined with reference to the audited net operating profit (after taxation) of the Target Company for the initial years after its commencement of business. The Company has recorded other liabilities in the amount of RMB53,560,000, representing the estimated amount of the Contingent Consideration payable to the Minority Shareholder. However, the amount payable under the Contingent Consideration are still subject to final negotiation with the Minority Shareholder and might be further adjusted when the parties reach an agreement.

The Contingent Consideration has not been settled because Mr. Cao Kuanping, the former Chairman and Chief Executive Officer of the Company, and the Minority Shareholder could not reach a consensus as to the final amount of the consideration.

Pursuant to the Supplemental Agreement and the 2nd Supplemental Agreement, the Equity Pledge has allowed five years in aggregate for the Company to further negotiate with the Minority Shareholder on the final amount and arrange sufficient funds for payment of the Contingent Consideration.

In addition, the Company considers that the Equity Pledge and the Guarantee show the Company's willingness to resolve the prolonged dispute in respect of the Contingent Consideration and has a positive impact on improving the business relationship with the Minority Shareholder while does not increase any financial liability of the Group.

On the strength and sufficiency of the Equity Pledge and the Guarantee and the Company's communication with the Minority Shareholder in respect of the business situation facing the Company during the prolonged period of disruption caused by the COVID-19 pandemic, both the Company and the Minority Shareholder have not insisted on resolving the Contingent Consideration. It would not have been in the best interest of the Company to pay out a large amount of money to the Minority Shareholder if the Company could obtain a longer period to arrange sufficient funds for payment of the Contingent Consideration.

The Company and the Minority Shareholder agree to determine the final Contingent Consideration by engaging an auditor to commence the audit of the Target Company by 23 May 2024. The amount of the Contingent Consideration as determined by the aforementioned auditors and confirmed by the Company and the Minority Shareholder shall be conclusive. Given such arrangement to be conducted in respect of the Target Company, the Board believes there is a degree of certainty and finality to the determination of the Contingent Consideration by the extended deadline and the settlement of the matter in due course. The Board at present is committed to strengthening the Company's business operations.

(c) Intention of the Board in respect of the Contingent Consideration

Given the business outlook of the Company since the re-opening of the PRC and the extended deadline agreed by the Minority Shareholder, the Board is of the view that Company will be able to arrange sufficient funds to resolve the Contingent Consideration and release the Equity Pledge. The Company does not have the intention to settle the Contingent Consideration through the disposal proceeds from the exercise of the Equity Pledge by the Minority Shareholder. The Company does not expect any further delay of the settlement date after 22 May 2025 will be necessary.

Shareholders and investors of the Company may refer to the Company's publications in relation to the impact of the exercise of the Equity Pledge on the Company's business operations and financial position. Further announcements in respect of the Equity Pledge will be made by the Company as and when appropriate in compliance with the Listing Rules.

(d) Confirmation by the Board in respect of the connected transaction

The Board confirms that:

- (1) the basis for exemption under Rule 14A.101 is still applicable to the Equity Pledge as supplemented by the 2nd Supplemental Agreement;
- (2) the 2nd Supplemental Agreement is on normal commercial terms or better;
- (3) it has approved the 2nd Supplemental Agreement; and

- (4) the independent non-executive Directors have confirmed that the terms of the 2nd Supplemental Agreement are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

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

Yangzhou, PRC, 11 May 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yuan Li and Mr. Xu Xinying, one non-executive Director, namely Ms. Xu Honghong, and three independent non-executive Directors, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi.