THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

奇点国际有限公司

QIDIAN INTERNATIONAL CO.,LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE AGENCY AGREEMENT AND NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

VINCO 榮高

Vinco Financial Limited

A letter from the Board is set out on pages 4 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 41 of this circular.

A notice convening an EGM to be held at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC on Friday, 10 November 2023 at 10:00 a.m. is set out on pages 52 to 53. A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you wish.

24 October 2023

CONTENTS

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

"Acquisition Agreement"	the conditional sale and purchase agreement dated 23 August 2022 entered into among the Company and a series of vendors in relation to the proposed acquisition of the entire issued share capital of Shengshang Entrepreneurial Services Co., Ltd.
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Agency Agreement"	the agreement entered into by the Shenzhen Co and Beijing Shengshang on 28 August 2023, pursuant to which Shenzhen Co agreed to act as the agent for Beijing Shengshang in respect of the sales and promotion of its training courses and services
"Annual Cap(s)"	the proposed annual cap(s) of the transaction fees payable by the Shenzhen Co under the Agency Agreement and the transaction contemplated thereunder
"associates"	has the meaning ascribed to it in the Listing Rules
"Beijing Shengshang"	Beijing Shengshang Entrepreneurial Technology Co., Ltd. (北京聖商創業科技有限公司), a company with limited liability established in PRC on 5 August 2005
"Board"	the board of Directors of the Company
"Company"	Qidian International Co., Ltd. (奇点国际有限公司), a company incorporated in the Cayman Islands with limited liability on 5 February 2008, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1280)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for approving the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IB"	individual business(es)

"Independent Board Committee"	the independent committee of the Board, the members of which consist of the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the Agency Agreement and the transaction contemplated thereunder
"Independent Financial Adviser" or "Vinco Financial"	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agency Agreement and the transaction contemplated thereunder
"Independent Shareholders"	shareholders of the Company other than Noble Trade International and its associates
"Latest Practicable Date"	19 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MSME(s)"	micro-, small- and medium-sized enterprise(s)
"Noble Trade International"	Noble Trade International Holdings Limited (聖行國際集團有限公司), a substantial shareholder of the Company beneficially interested in 65,001,624 Shares
"PRC"	the People's Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of the Company with a nominal value of US$0.02 each
"Shareholders"	the shareholders of the Company
"Shenzhen Co"	Shenzhen Qidian Education Technology Co., Ltd. (深圳奇點求學科技有限公司), a company with limited liability established in the PRC on 8 August 2023 and a subsidiary owned as to 75% by the Company

"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by Securities and Futures Commission as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

The English names of Chinese entities are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

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:
Yuan Li
Xu Xinying
Zhuang Liangbao

Non-Executive Directors:
Xu Honghong

Independent Non-Executive Directors:
Zhang Yihua
Chen Rui
Fung Tak Choi

Registered Office:
The offices of Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

24 October 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE AGENCY AGREEMENT
AND
NOTICE OF EGM**

1 INTRODUCTION

Reference is made to the announcement of the Company dated 28 August 2023 in relation to the Agency Agreement and the transaction contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details in relation to the Agency Agreement and the transaction contemplated thereunder; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agency Agreement and the transaction contemplated thereunder; (iii) a notice of the EGM; and (iv) other information required under the Listing Rules, to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

2 AGENCY AGREEMENT

On 28 August 2023, Shenzhen Co entered into the Agency Agreement with Beijing Shengshang, pursuant to which Beijing Shengshang authorised Shenzhen Co to act as its agent for sales and promotion of Beijing Shengshang's training courses and services.

Principal terms of the Agency Agreement are summarised as below:

Date

28 August 2023

Parties

(i) Shenzhen Co as sales agent

(ii) Beijing Shengshang as principal

Nature of transaction

Beijing Shengshang provides MSME and IB entrepreneurship training services in the PRC targeting at entrepreneurs and senior executives in MSMEs, as well as individuals conducting IB who are interested in establishing start-up enterprises. The customers/students procured by Shenzhen Co represent the end customers of the training courses and services.

During the term of the Agency Agreement, Beijing Shengshang authorised Shenzhen Co to act as its agent for the sales and promotion of Beijing Shengshang's training courses and services.

The Company has no intention to dispose of, downsize or terminate any of its existing businesses.

Responsibilities and liabilities

Pursuant to the Agency Agreement:

(i) Beijing Shengshang will be responsible for the design and delivery of training courses and services;

(ii) Shenzhen Co will bear the promotion cost and it will pay Beijing Shenghshang the cost incurred in deliverying the course under the Agency Agreement, being the transaction fees, which includes cost for design and delivery of the courses and a reasonable gross profit to be retained by Beijing Shengshang;

(iii) Beijing Shenghshang will determine the course content and fees; and

(iv) Shenzhen Co will be liable for claim and indemnities (if any) from customers and students. After Shenzhen Co settles the claim with customers and students, Shenzhen Co will claim Beijing Shengshang for liabilities arising from the delivery of the course, for which Beijing Shengshang should be responsible.

Customer and students procurement

Shenzhen Co procures entrepreneurs and executives in MSMEs in the PRC.

There are three management members of Shenzhen Co that oversee the sales and marketing operations. They possess over 10 years of experience in production and digital marketing of business training courses in the PRC and over 10 years of experience in education and training industry.

Shenzhen Co intends to further engage external sales agents, which forms part of its future marketing channel. Other than potential external sales agents, Shenzhen Co will promote and sell the training courses through its own resources and sales channel.

Term and termination

For a term commencing upon obtaining the Independent Shareholders' approval of the transaction contemplated under the Agency Agreement at the EGM and expiring on 31 December 2025.

Payment arrangement

Shenzhen Co will, as an agent, enter into sales contracts with customers and students as end customers. Beijing Shengshang shall produce the details of customers introduced by Shenzhen Co for the preceding month within ten (10) days from the end of the preceding month. 25% of the income from the sales of Beijing Shengshang's training courses and services by Shenzhen Co as an agent will be paid as transaction fees to Beijing Shengshang within ten (10) days after parties have agreed on the amount of the transaction fees. Such income, being the enrolment fee, consists of no other income but the subscription fees of Beijing Shengshang courses.

Customers and students are required to make upfront payment of the enrolment to Shenzhen Co prior to attending the training courses. Such payment could be made by way of either cash or electronic payment.

Upon the completion of the course, Shenzhen Co shall recognise the revenue and pay 25% of income (i.e. enrolment fee) to Beijing Shengshang within a month after Beijing Shengshang has delivered the training courses.

As stipulated in the Agency Agreement, if a customer complaint relates to the delivery of the course and Shenzhen Co needs to refund the customer, Beijing Shengshang shall be liable to reimburse Shenzhen Co with the full amount of customer's complaint. The refunded amount will be deducted from the transaction fees payable to Beijing Shengshang if such transaction fees had not been paid or shall be offset by the transaction fees payable in the following month if the transaction fees had been paid to Beijing Shengshang. Otherwise if a customer complaint is due to default by Shenzhen Co, then Shenzhen Co shall be liable for such complaint.

3 BUSINESS ARRANGEMENT UNDER THE AGENCY AGREEMENT

Under the Agency Agreement, promotion cost to be borne by Shenzhen Co consists of payments to consultants for promotional programs and to teaching staff for the introductory training programs organised by Shenzhen Co for the purpose of procuring students under the Agency Agreement. It represents the necessary customer procurement cost of an agent, which was borne by Beijing Shengshang for other agents of Beijing Shengshang. The referral fees paid by Beijing Shengshang do not include the promotions costs and thus the other agents do not benefit from not being required to cover the promotion fees. On the contrary, Shenzhen Co benefits from the current arrangement with better cash flow position because Shenzhen Co will directly collect the enrolment fees from the customers and settle the costs with its suppliers and agents (if applicable). As such, the Board believes that the business arrangement contemplated under the Agency Agreement is fair and reasonable.

The current sales agents of Beijing Shengshang are located throughout the PRC and there is no specific geographical location.The training courses designed and delivered by Beijing Shengshang to students procured by Shenzhen Co will be provided in the name of Beijing Shengshang, while Shenzhen Co will promote the training courses of Beijing Shengshang under the joint name of Beijing Shengshang and Shenzhen Co. Other than being a sales agent of Beijing Shengshang, Shenzhen Co is also the agent of other course providers and intends to sell and provide courses developed by itself. The agency model between Shenzhen Co and Beijing Shengshang aligns with the business model of Shenzhen Co and it benefits Shenzhen Co to build up its own agency network.

There is no geographical restriction on where Beijing Shengshang will provide the training courses nor Shenzhen Co's activities.

Capital Investment Plan

The Company has no proposed capital investment plan for the Agency Agreement. Income from the sales of Beijing Shengshang's training courses and services will be paid by Shenzhen Co as an agent as transaction fees to Beijing Shengshang. The registered capital for setting up Shenzhen Co came from the internal resources of the Company.

No substantial upfront capital investment is needed for conducting agency services under the Agency Agreement as such business model is not capital intensive. Under the business model contemplated under the Agency Agreement, an upfront payment of the enrolment fee will be made by customers and students to Shenzhen Co which will cover the cost borne by Shenzhen Co under the Agency Agreement, including but not limited to transaction fees to Beijing Shengshang, the promotion costs and the cost to engage external sales agent (if applicable). As such, Shenzhen Co will be good in cash position and the operation of Shenzhen Co for development of its management team will be firstly funded by the internal resources of the Company. Therefore, Shenzhen Co does not require significant upfront investment for its current operation and currently Company has no investment plan for Shenzhen Co.

Currently, Shenzhen Co is engaged in the provision of agency services to course providers. Shenzhen Co has commenced collaboration with Joy Media, a leading multi-channel network agency, where Shenzhen Co provides agency services to Joy Media for new media live streaming and other related skill training services.

However, if the Company requires funding for subsequent business development, it would do so by way of financing, including but not limited to, third-party financing, shareholder loan and shareholder capital investment.

Beijing Shengshang's courses will be sold at the same retail prices set by Beijing Shengshang applicable to all sales channels, including Shenzhen Co. Based on the historic records, the costs of developing and providing training courses by Beijing Shengshang plus a reasonable gross profit to be retained by Beijing Shengshang account for in aggregate approximately 25% of the retail price of such courses. Since Beijing Shengshang will be the party to deliver the training courses, it is entitled to receive the transaction fees under the Agency Agreement to cover its costs for providing the training courses.

The retail price of Beijing Shengshang's courses encompasses various components - Beijing Shengshang's cost of design and delivery of courses, promotion costs, referral fees to other agencies and relevant administrative costs and other miscellaneous costs and expenses incurred by the Group. These factors collectively contribute to the overall value of the courses and the costs associated with their provision. It is important to note that only the transaction between Shenzhen Co and Beijing Shengshang constitutes a continuing connected transaction, as Beijing Shengshang is a connected person. The Company acknowledges the value and costs associated with the training courses provided by Beijing Shengshang in terms of course development, intellectual property, and expertise. These contributions are vital in ensuring the quality and effectiveness of the courses offered. The board considered it is fair and reasonable to determine the transaction fees payable by Shenzhen Co to Beijing Shengshang based on a reasonable gross profit to be retained by Beijing Shengshang and the cost structure of Beijing Shengshang itself, which focuses on the specific costs incurred by Beijing Shengshang in designing and delivering the courses, rather than referring to the costs and expenses of the Group as a whole.

The Board was of the view that 75% income-retention ratio offered to Shenzhen Co is more favorable to the Group when compared to other agents engaged by Beijing Shengshang or similar arrangements in the market. Through a comprehensive assessment, it has been determined that this ratio is equal to or higher than what is typically offered to other agents. While existing sales agencies of Beijing Shengshang will receive commission fees from Beijing Shengshang for training programmes or services procured by them, being a range from 10% to 50% plus up to 11% of subsidies of the fees paid by the students to Beijing Shengshang for enrolling in their courses, the arrangement with Shenzhen Co is different. Other than Beijing Shengshang's cost for course design and delivery and a reasonable gross profit to be retained by Beijing Shengshang, which accounts for 25% of the enrolment fee paid by the students, Shenzhen Co is entitled to retain all the remaining income from selling Beijing Shengshang's courses, which is 75% of the enrolment fee. Shenzhen Co is entitled to up to 48% more than the other sales agencies of the enrolment fees payable by the students. Shenzhen Co benefits from such arrangement with more financial flexibility to arrange for its cash flow, which eliminates the risk of delayed or uncollectible payment in the customary commission-based transaction model. The board has carefully considered industry standards and practices to ensure that the Group receives a competitive and advantageous arrangement.

Side Agreement

There is no side agreement between the Company and its connected person in relation to the future operation and development of Shenzhen Co or Beijing Shengshang.

Pricing Policy

The transaction fees payable by Shenzhen Co to Beijing Shengshang under the Agency Agreement should be fair and reasonable, on the normal commercial terms. The transaction fee is determined after arm's length negotiation between the parties to the Agency Agreement with reference to the cost of training courses provided by Beijing Shengshang for the past two financial years ended 31 December 2022 and the six months ended 30 June 2023.

In the past, the cost of design and delivery of courses, the administration costs, the promotion costs and referral fees to other sales agents were all borne by Beijing Shengshang. However, under the Agency Agreement, other than transaction fee, costs will now be borne by Shenzhen Co. Therefore, Shenzhen Co will retain higher portion, whereas Beijing Shengshang would retain 25% of income, being only the cost of design and delivery of courses incurred by Beijing Shengshang and considering a reasonable gross profit to be retained by Beijing Shengshang. The cost of design and delivery of courses incurred by Beijing Shengshang for the years ended 31 December 2021 and 2022 are approximately RMB38.16 million and RMB29.39 million, which accounts for approximately 8.88% and 10.07% of the revenue of Beijing Shengshang for the corresponding years. Based on the foregoing, the average cost of design and delivery of courses incurred by Beijing Shengshang for the years ended 31 December 2021 and 2022 accounts for 9.5% of the revenue recorded for the corresponding years. 25% income to be retained by Beijing Shengshang under the Agency Agreement is for (i) the cost of design and delivery of courses incurred by Beijing Shengshang of approximately 9.5% of the income and (ii) considering a reasonable gross profit which accounts for 15.5% of the income to be retained by Beijing Shengshang. Such percentage of profit to be retained by Beijing Shengshang as contemplated in the current business model under the Agency Agreement is determined with reference to (i) the historical gross profits of Beijing Shengshang for the three years ended 31 December 2022 for its operation of MSME and IB trainings with other sales agents of 31.33%, 32.96% and 32.40%, respectively; and (ii) gross profit of the comparable companies in the industry. With reference to the above and after arm's length negotiations between Beijing Shengshang and Shenzhen

Co, the Board is of the view that the transaction fee is fair and reasonable. Other than the transaction fees payable to Beijing Shengshang, the cost to be borne by Shenzhen Co for selling training courses of Beijing Shengshang under the Agency Agreement is set out as follows:

	Promotion costs	
Shenzhen Co/Potential external agent (optional)	**Consultants**	**Introductory course teaching staff**
(Note 1)	*(Note 2)*	*(Note 2)*
40%	5%	8%

Note 1: Shenzhen Co may engage external sales agents for promotion and sales of the training courses, which forms part of its future marketing channel. In the event that an external sales agent is engaged, there will be costs for such engagement of approximately 40% of the enrolment fee.

Note 2: It refers to promotion costs of payments to consultants for promotional programs and teaching staff for the introductory training programs organised by Shenzhen Co for the purpose of procuring students.

The cost of providing the training courses and services plus referral fee to other sales agents is approximately not less than 65% of the income from the sales of Beijing Shengshang's training courses and services on average in the latest period of 2023. The ratio of 65% refers to the historic cost of Beijing Shengshang under the existing agency model (with other agents).

Future Business Arrangement of Shenzhen Co and the Company

Shenzhen Co focuses on agency services for business management courses designed and delivered by course providers and sales, marketing and provision of training services including family relationship, traditional Chinese culture, study tour programs and new media. Currently the Company does not have any plan to acquire the business of Beijing Shengshang in the future.

It is the intention of Shenzhen Co to provide sales agency services for other training courses other than Beijing Shengshang. Since its establishment in August 2023, Shenzhen Co has commenced collaboration with Joy Media, where Shenzhen Co provides agency services to Joy Media for new media live streaming and other related skill training services. Shenzhen Co aims to leverage the brand influence and media traffic of Joy Media to attract more students and expand the market share of Shenzhen Co by utilizing its own resources and advantages.

Shenzhen Co will be able to build up its brand influence as a sales agent in the management training industry even if the courses will be provided in the name of Beijing Shengshang. In addition, Shenzhen Co intends to leverage the brand influence and media effect of Joy Media, Shenzhen Co's other business partner, for the agency services provided by Shenzhen Co to Joy Media for the new media live streaming and other related skill training services.

Furthermore, Shenzhen Co intends to develop its own training courses in relation to family relationship, traditional Chinese culture, study tour programs and new media and aims to enhance its brand influence in respect of providing its own training courses. It is the intention of Shenzhen Co to meet the personalised needs of students for its own training courses in the future as a future development strategy. Under the leadership of management team with over a decade of experience in the training industry, Shenzhen Co will strengthen its marketing strategies by adopting precise marketing to meet the personalised needs of students while expanding its market share and enhancing brand influence. Shenzhen Co seeks to become a leading company in the training services industry within the next three to five years. It is the future business plan of Shenzhen Co to develop its own training services, become a leading company in the training services industry and to have brand influence.

In spite of the deteriorating macro-economy which affects Beijing Shengshang's sales performance, Shenzhen Co believes it will be able to achieve its future business arrangement for reasons below:

- Shenzhen Co has a robust management team with extensive experiences in the training industry who have substantial customer resources, extensive marketing expertise and will be able to provide Shenzhen Co with insights for development of the training services; and

- Shenzhen Co intends to focus on provision of its own training courses including family relationship, traditional Chinese culture, study tour programs and new media while Beijing Shengshang only focuses on MSME and IB training courses to entrepreneurs. The Board believes that the training courses to be provided by Shenzhen Co with such wider and more trendy topics will be able to attract more students in the market.

There will not be future competition between Shenzhen Co's target to become "leading company in the training" as the training courses provided by Beijing Shengshang will be different from those to be provided by Shenzhen Co in the future. While Beijing Shengshang only focuses on MSME and IB training courses to entrepreneurs and senior executives in MSME and individuals conducting IB who are interested in establishing start-up enterprises (the "**Existing Businesses**"), Shenzhen Co intends to focus on training courses in relation to family relationship, traditional Chinese culture, study tour programs and new media. Shenzhen Co will merely provide the agency services for business management courses designed and delivered by course providers and will not itself engaged in development and provision of business management courses. Therefore, the Board believes that considering the different training courses developed and provided by Beijing Shengshang and Shenzhen Co and that the different roles of Beijing Shengshang (course provider) and Shenzhen Co (sales agent for business management training courses) in the area of business management training, there will be no future competition between Shenzhen Co and Beijing Shengshang.

However, to avoid the unlikely event where any potential competition arises between Shenzhen Co and Beijing Shengshang in relation to the Restricted Businesses, Mr. Yuan Li as the covenantor (the "**Covenantor**") has entered into a deed of non-competition in favour of the Company (the "**Deed of Non-Competition**") at the same date of the Agency Agreement. The Covenantor is holding 65,001,624 Shares through Noble Trade International (formerly known as Shengshang International Holdings Limited (聖商國際集團有限公司)), representing 29.64% of the issued share capital of the Company, and is therefore a substantial shareholder of the Company. The unconditional and irrevocable undertakings made by the Covenantor in the Deed of Non-Competition from the date of the Deed of Non-Competition and ending on the occurrence of the earliest of (i) the date on which, in relation to the Covenantor, he, together with his close associates, whether individually or taken together, ceases to be interested in 10% or more of the entire issued share capital of the Company, provided that the Deed of Non-Competition shall continue to be in full force and effect; or (ii) the date on which the Shares cease to be listed on the Main Board of the Stock Exchange (other than suspension of trading for any other reason); or (iii) the date on which the Covenantor beneficially owns or becomes interested in the entire issued share capital of the Company (the "**Restricted Period**") in favour of the Company are summarised below:

(i) The Covenantor undertakes that he will not, and will use his best endeavours to procure his close associates and any company directly or indirectly controlled by him or his close associates (collectively the "**Controlled Persons and Companies**") not to:

(a) either on his/its/their own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, further invest in or develop, acquire, or provide any form of further assistance to any person, firm or company, or in any other method which will lead to expansion or development of the Existing Businesses;

(b) interfere with or endeavour to entice away from the Group any firm, company or organisation who to his knowledge is from time to time or has at any time within the immediate past two years before the date of the Deed of Non-Competition been a customer or supplier of the Group;

(c) at any time employ any person who has been a director, manager or employee of or consultant to the Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Group's business without prior written consent from the Company;

(d) directly or indirectly solicit or persuade any person who has dealt with the Group or is in the process of negotiating with the Group to cease to deal with the Group or reduce the amount of business which the person would normally do with the Group; and

(e) disclose any confidential information of the Group in his/its possession to any third party or the Group's competitors unless in exceptional circumstances.

(ii) The Covenantor or the Controlled Persons and Companies shall notify the Company as soon as practicable of any plans to participate or engage in any new activities or new business opportunities which may compete in the PRC with the Restricted Businesses and shall not proceed with these proposals if the Company provides any written objection in respect of such plans within the time stipulated in the relevant notice, which will be not less than 2 months. The independent non-executive Directors of the Company will decide whether to object such new activities or new business opportunities.

(iii) The Covenantor further undertakes that he shall refer to and procure the Controlled Persons and Companies to refer to investment or business opportunity related to Restricted Businesses (the "**New Business Opportunities**" and each, a "**New Business Opportunity**") to the Company.

(iv) In the event that any of the Controlled Persons and Companies in the Existing Businesses (other than members of the Group) proposes to issue, grant or sell any shares, options, convertible securities and other equity or equity related securities which is convertible into equity ("**Selling Equities**"), the Company has the option at any time to purchase and has the first right of refusal to purchase the Selling Equities.

(v) The Covenantor undertakes to (a) provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors of his compliance with the terms of the Deed of Non-Competition and the enforcement of the Deed of Non-Competition or a negative confirmation; (b) to procure the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings under the Deed of Non-Competition either through the Company's annual report, or by way of announcements to the public; and (c) to make an annual declaration on compliance with the undertaking under the Deed of Non-Competition in the annual reports of the Company as the independent non-executive Directors think fit and ensure that the disclosure of details of his compliance with and the enforcement of the undertakings under the Deed of Non-Competition is consistent with the relevant requirements under the Listing Rules.

(vi) The Covenantor undertakes that he shall procure that each of Controlled Persons and Companies (other than members of the Group) will not take advantage of his connections with the Group and/or the shareholders of the Company, or his position as a shareholder of the Company, to participate or be engaged in any activities which may be detrimental to the interests of the Group and the other shareholders of the Company.

(vii) The Covenantor undertakes to the Company that during the term of Deed of Non-Competition to indemnify and keep indemnified the Company and any members of the Group against any loss or liability suffered by the Company or any members of the Group (as relevant) arising out of or in connection with any breach of any of his obligations or undertakings thereunder, including any costs and expenses (including legal expenses) incurred as a result of such breach provided that the indemnity contained in this Clause shall be without prejudice to any of the other rights and remedies of the Company or any members of the Group in relation to any such breach.

4 PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the total amount of transaction fees under the Agency Agreement.

The proposed Annual Caps on the aggregate transaction fees under the Agency Agreement payable to Beijing Shengshang for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively are thus RMB10 million, RMB55 million and RMB58 million, respectively. The proposed Annual Cap for the year ending 31 December 2023 covers only approximately three months, while the proposed Annual Caps for the year ending 31 December 2024 covers the whole year of 12 months. The proposed Annual Caps are proportionate to their length and therefore are fair and reasonable.

In arriving at the Annual Caps, the Directors estimated the aggregate transaction fees under the Agency Agreement based on the historical total revenue and cost of Beijing Shengshang's training courses and services for the past two financial years ended 31 December 2022 and the six months ended 30 June 2023 with other existing agents in its scalable sales channels.

Basis of the expected income

The expected income for the year ending 31 December 2024 is based on approximately RMB220 million of the average of historical income from the sales of Beijing Shengshang's training courses and services for the year ended 31 December 2022 and the annualised amount for the six months ended 30 June 2023. The revenue of Beijing Shengshang for the years ended 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023 were approximately RMB429.61 million, RMB291.78 million and RMB71.08 million, respectively.

The revenue of Beijing Shengshang was directly proportional to the number of sales representative and consequentially the students attending the training courses. In 2022, the number of students attending the training courses of Beijing Shengshang was 9,770, which were procured by a total number of 505 individual sales representatives (387 sales agents) and has generated a revenue of RMB291.78 million for Beijing Shengshang. On this basis, the average income generated per individual sales representative is approximately RMB578,000. The Company acknowledges the impact of unstable economic environment and there is no guarantee of the ability of each individual sales representative to maintain the average income per sales agent achieved by Beijing Shengshang in the past. However, in compliance with Rule 14A.53 of the Listing Rules, the historical figures indeed served as an indicator and shed light on how the Company shall set annual caps for the continuing connected transaction contemplated under the Agency Agreement. Taking into account that Shenzhen Co is a newly-established company without historical transactions or figures to refer to, the Company has exercised prudence by making a reasonable assumption based on the average income per sales agent of Beijing Shengshang when setting the proposed Annual Caps.

Shenzhen Co is developing its own sales personnel and is expected to engage external sales agents of 70, 380 and 400 individual sales representatives for the years ended 31 December 2023, 2024 and 2025, respectively. The expected number of sales agents to be procured by Shenzhen Co in each of the years from 2023 to 2025 is a forecast based on historical number of 505 sales representatives of Beijing Shengshang in year 2022. Assuming Shenzhen Co is able to act as a sales agent for Beijing Shengshang for most of its business, the estimated number of sales representative to be engaged by Shenzhen Co under such service will be 70, 380, 400 for each of the years from 2023 to 2025, respectively. As many of Beijing Shengshang's existing sales agents are relatively small in scale, which limits their ability to continuously expand the scale of customers they are able to acquire, Beijing Shengshang intends to strengthen and optimize the management and engagement of its sales agents. Whilst Shenzhen Co being only one of the sales agents of Beijing Shengshang, Shenzhen Co has a robust management team with extensive experience in the training industry who have substantial customer resources, and extensive marketing expertise which will give a competitive edge for the Shenzhen Company in provision of agency services. In addition, Beijing Shengshang undertakes to prioritize the engagement of Shenzhen Co over other sales agents for provision of agency services as long as Shenzhen Co has the capacity to handle. Taking into account the foregoing and on the basis that there is no historical figure of Shenzhen Co that the Company can refer to, it is reasonable for the Board, when determine the annual caps for the continuing connected transactions contemplated under the Agency Agreement, to make an assumption that in the most ideal case, Shenzhen Co will be able to act as a sales agent for most of Beijing Shengshang's business. The management team of Shenzhen Co with extensive experience has the relevant resources and influence in the industry and will be able to procure the suitable candidates as sales representatives. It is expected that the numbers of students attending the training courses of Beijing Shengshang and procured by Shenzhen Co in aggregate will be 790, 4,210 and 4,460, respectively. Therefore, based on the historical average income generated by each individual sales representative of Beijing Shengshang, Shenzhen Co is expected to generate an income from the provision of agency services of approximately RMB40.46 million, RMB219.64 million and RMB231.20 million for the three years ended 31 December 2025, respectively.

Calculation of transaction fees

Calculation of the annual caps for each of the three years ending on 31 December 2025, was derived by multiplying 25% with the expected income generated by Shenzhen Co from the sale of Beijing Shengshang courses during the period.

Revenue and cost of training courses of Beijing Shengshang

The total revenue and cost of training courses and services of Beijing Shengshang for the three years ended 31 December 2022 and the six months ended 30 June 2023 are set out below:

- the revenue of Beijing Shengshang for the three years ended 31 December 2022 and the six months ended 30 June 2023 were approximately RMB396.19 million, RMB 429.61 million, RMB 291.78 million and RMB71.08 million, respectively; and

- the cost of Beijing Shengshang for the three years ended 31 December 2022 and the six months ended 30 June 2023 were approximately RMB271.71 million, RMB286.89 million, RMB196.59 million and RMB48.06 million, respectively.

If the actual total amount of the transaction fees payable to the Group under the Agency Agreement shall exceed the abovementioned Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

5 REASONS FOR AND BENEFITS OF ENTERING INTO THE AGENCY AGREEMENT

The principal activities of the Group include the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the PRC.

Meanwhile, the Group has been actively exploring investment and business opportunities to broaden its assets and revenue base. Beijing Shengshang has a long history and a successful record of operating its training services business in the PRC. Beijing Shengshang promotes its training programs and enhances its overall brand recognition among prospective students with extensive sales channels. Marketing activities of Beijing Shengshang are mainly conducted through the sales agencies, which are supported by the sales and marketing team and monitored by the monitoring and surveillance team of Beijing Shengshang.

Given the strong record of Beijing Shengshang's training services business, Shenzhen Co, acting as an agent to Beijing Shengshang, will bring in a new source of income to the Group. The Company is positive about the prospects of the Shenzhen Co also because the management team of the Shenzhen Co has rich experience in sales and marketing of similar business. Most of the members of the management team of Shenzhen Co have more than ten years of experience in the education and training industry, good management skills, sales channel development capabilities, as well as technical support capabilities. Taking all the factors into consideration, it is beneficial to the Group to introduce this new business.

Given the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Agency Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6 INFORMATION OF THE PARTIES

Shenzhen Co

Shenzhen Co is a limited liability company established under the laws of the PRC on 8 August 2023, 75% owned by the Company as at the Latest Practicable Date. Shenzhen Co is principally engaged in sales and marketing and provision of training services.

The identities of the ultimate beneficial owner(s) of the remaining 25% interests in Shenzhen Co are as follows:

- Mr. Yuan Li and Mr. Yuan Yang (袁煬), via Xinyu Yuanli No.1 Enterprise Management Partnership (Limited Partnership) (新余原力一號企業管理合夥企業(有限合夥)), holds 6.25% interests in Shenzhen Co. Mr. Yuan Li holds 84% and Mr. Yuan Yang holds 16% interests in Xinyu Yuanli No. 1 Enterprise Management Partnership (Limited Partnership), whose general partner is Mr. Yuan Yang. Mr. Yuan Yang is brother of Mr. Yuan Li, a substantial shareholder and an executive Director of the Company and therefore Mr. Yuan Yang is a connected person of the Company.

- Mr. Yuan Li and Mr. Zhuang Liangbao, via Xinyu Yuanli No.2 Enterprise Management Partnership (Limited Partnership) (新余原力二號企業管理合夥企業(有限合夥)), holds 6.25% interests in Shenzhen Co. Mr. Yuan Li holds 84% and Mr. Zhuang Liangbao holds 16% interests in Xinyu Yuanli No. 2 Enterprise Management Partnership (Limited Partnership), whose general partner is Mr. Yuan Li. Mr. Yuan Li, being a substantial shareholder and an executive Director of the Company, and Mr. Zhuang Liangbao, being an executive Director, are connected persons of the Company. Mr. Yuan Li does not have any relationship with Mr. Zhuang Liangbao.

- Mr. Yuan Li and Mr. Zhuang Liangbao, via Xinyu Yuanli No.3 Enterprise Management Partnership (Limited Partnership) (新余原力三號企業管理合夥企業(有限合夥)), holds 6.25% interests in Shenzhen Co. Mr. Yuan Li holds 84% and Mr. Zhuang Liangbao holds 16% interests in Xinyu Yuanli No. 3 Enterprise Management Partnership (Limited Partnership), whose general partner is Mr. Yuan Li; and

- Mr. Yuan Li and Mr. Yuan Yang, via Xinyu Yuanli Awakening Enterprise Management Partnership (Limited Partnership) (新余原力覺醒企業管理合夥企業(有限合夥)), holds 6.25% interests in Shenzhen Co. Mr. Yuan Li holds 84% and Mr. Yuan Yang holds 16% interests in Xinyu Yuanli Awakening Enterprise Management Partnership (Limited Partnership), whose general partner is Mr. Yuan Yang.

Beijing Shengshang

Beijing Shengshang is a limited liability company established under the laws of the PRC on 5 August 2005. Beijing Shengshang and its subsidiaries are engaged in MSME and IB entrepreneurship training services in the PRC which targets entrepreneurs and senior executives in MSMEs, as well as individuals conducting IB who are interested in establishing start-up enterprises. As at the Latest Practicable Date, Beijing Shengshang is an associate of Mr. Yuan Li and therefore a connected person of the Company. Mr. Yuan, via Greatssjy Co., Ltd., holds 28.58% interests in Beijing Shengshang himself.

The identities of all ultimate beneficial owner(s) of the remaining interests in Beijing Shengshang are as follows:

- Mr. Yuan Li, via his wholly owned subsidiary Greatssjy Co., Ltd., holds 28.58% interests in Beijing Shengshang;

- Mr. Zhuang Liangbao, via his wholly owned subsidiary Zhuanglb Co., Ltd., holds 1% interests in Beijing Shengshang;

- Ms. Dong Xiujuan (董秀娟), via her wholly owned subsidiary Dopoint Co., Ltd., holds 10.27% interests in Beijing Shengshang;

- Mr. Yuan Yang, via his wholly owned subsidiary Energystone Co., Ltd., holds 4.55% interests in Beijing Shengshang;

- Mr. Yuan Yang and Mr. Xu Xinying holds 80% and 20% interests in Shengshangmingyue Co., Ltd., respectively, which in turn holds 14.80% interests in Beijing Shengshang;

- Mr. Xu Xinying, via his wholly owned subsidiary Xu Xinying Co., Ltd., holds 10.54% interests in Beijing Shengshang;

- Mr. Sun Lejiu (孫樂久) and Ms. Liu Liying (劉利英) each holds 50% interests in Chengshan Co., Ltd., which in turn hold 1.00% interests in Beijing Shengshang;

- Mr. Wang Yue (王玥), via his wholly owned subsidiary, Top Vanguard Linkage Innotech Co., Ltd., holds 0.77% interests in Beijing Shengshang;

- Heimazhidi Co., Ltd., holds 17.64% interests in Beijing Shengshang. Heimazhidi Co., Ltd. is wholly owned by Beijing Heimazhidi Enterprise Management Partnership (Limited Partnership)* (北京黑馬智迪企業管理合夥企業(有限合夥), a limited partnership which is managed and operated by its general partner, Xinyu Heimazhidi Investment Center (Limited Partnership)* (新余黑馬智迪投資中心(有限合夥)), a limited partnership which is managed and operated by its general partner, Suzhou Xiaoding Shengying Investment Center (Limited Partnership)* (蘇州小鼎聖贏投資中心(有限合夥)), a limited partnership which is managed and operated by its general partner, Shanghai Noa Jin Assets Management Co., Ltd.* (上海諾瑾資產管理有限公司), a limited liability company which is owned as to approximately 74.50%, 20.00%, 5.00%, and 0.50% by Mr. Han Baoshi (韓寶石), Shanghai Mefund Asset Management Co., Ltd.* (上海冪方資產管理有限公司), Mr. Chen Xiang (陳香) and Mr. Wang Donghua (王東華), respectively;

- Guangsuduoer Co., Ltd., holds 4.28% interests in Beijing Shengshang. Guangsuduoer Co., Ltd is wholly owned by Beijing Guangsuduoer Enterprise Management Partnership (Limited Partnership)* (北京光速多爾企業管理合夥企業(有限合夥)), a limited partnership which is managed and operated by its general partner, Xinyu Gaoxin District Guangsuduoer Investment Center (Limited Partnership)* (新余高新區光速多爾投資中心(有限合夥)), a limited liability partnership which is managed and operated by its general partner, Xinyu Northern Dingyuan Investment Centre (Limited Partnership)* (新餘北方鼎元投資中心(有限合夥)), which is managed and operated by Northern Financing Investment (Beijing) Investment Fund Management Co., Ltd.* (北方融投(北京)投資基金管理有限公司), a limited liability company owned as to 80.00% and 20.00% by Mr. Sun Yuedong and Mr. Li Hua, respectively;

- Dixingjingliu Co., Ltd., holds 3.27% interests in Beijing Shengshang. Dixingjingliu Co., Ltd. is wholly owned by Beijing Dixingjingliu Technology Partnership (Limited Partnership)* (北京滴行京流科技合夥企業(有限合夥)), a limited liability partnership which is managed and operated by its general partner, Xinyu Dixingjingliu Technology Co., Ltd.* (新餘滴行京流科技有限公司), a limited liability company which is owned as to 1.00% by Ms. Zhou Xiuzhen (周秀珍) and 99.00% by Xinyu Gaoxin District Northern Chuangda Investment Partnership (Limited Partnership)* (新余高新區北方創達投資合夥企業(有限合夥)), a limited liability partnership which is managed and operated by Northern Financing Investment (Beijing) Investment Fund Management Co., Ltd.* (北方融投(北京)投資基金管理有限公司), a limited liability company owned as to 80.00% and 20.00% by Mr. Sun Yuedong (孫躍東) and Mr. Li Hua (李華), respectively;

- Houyishengrong Co., Ltd., holds 3.21% interests in Beijing Shengshang. Houyishengrong Co., Ltd. is wholly owned by Beijing Houyishengrong Enterprise Management Partnership (Limited Partnership) (北京厚誼盛榮企業管理合夥企業(有限合夥)), a limited liability partnership which is managed and operated by its general partner, Xinyu HopePe Investment Centre (Limited Partnership)* (新余厚誼盛榮投資中心(有限合夥)), a limited liability partnership which is managed and operated by its general partner, Beijing HopePe Investment Management Co., Ltd. (北京厚誼投資管理有限公司), a limited liability company which is owned as to approximately 60.00% and 40.00% by Ms. Liu Liying and Mr. Zhao Jinyong (趙金勇), respectively; and

- Ms. Liu Shixiu (劉士秀), holds 0.10% interests in Beijing Shengshang.

Other than Mr. Yuan Li, Mr. Xu Xinying, Mr. Yuan Yang and Mr. Zhuang Liangbao, the ultimate beneficial owners of Beijing Shengshang as set out above are independent third parties of the Company.

On 1 November 2021, Mr. Yuan Li, Mr. Xu Xinying and Mr. Yuan Yang executed an acting-in-concert confirmation (the "**Concerted Parties Confirmation**") whereby they confirmed the existence of their intention to act in concert in consolidating their control over Beijing Shengshang and its subsidiaries until and unless the Concerted Parties Confirmation is terminated in writing by them or when any of them shall cease to be interested in the shareholding of Beijing Shengshang directly or indirectly. Pursuant to the Concerted Parties Confirmation, with respect to the control, businesses and operations of Beijing Shengshang and its subsidiaries, Mr. Yuan Li, Mr. Xu Xinying and Mr. Yuan Yang confirm that for the entire duration when all of them are contemporaneously direct and/or indirect shareholders of Beijing Shengshang, they shall reach a unanimous decision and be acting in concert on any matters requiring shareholders' approval in relation to the management of Beijing Shengshang, the appointment of its directors and on all decisions to be made in respect of its financial, operationsand management. In addition, they shall continue to manage Beijing Shengshang and its subsidiaries (as the case may be) as a single business venture on a collective basis and make collective decisions in respect of the above matters. In the event a unanimous consensus is not reached, the voting decision of Mr. Yuan Li shall be adopted and followed.

Business Model of Beijing Shengshang

Beijing Shengshang offers a portfolio of training and consulting services to entrepreneurs and senior executives in MSMEs as well as individuals conducting IB who are interested in establishing start-up enterprises, which includes:

- MSME and IB entrepreneurship training services, which are generally conducted offline through various seminars and site visits to enterprises. The training programmes are mainly specifically geared to particular needs of the target customers of Beijing Shengshang and its subsidiaries who intend to enhance their management capabilities in aspects such as business management, fiscal and tax optimisation, employee incentives, human resources management, wealth management and investment topics. The training programmes cover topics such as national macro-economical policies and trends, entrepreneurial strategies, equity financing methods, wealth inheritance and planning and knowledge about private equity.

- Beijing Shengshang also provides customised consulting services to corporate customers whose businesses have passed the growth phases and have matured, on one-on-one basis in order to help them further improve the business operations and corporate structure and identify strategic issues and opportunities for their businesses. Beijing Shengshang jointly delivers the consulting services with its strategic partner who has outstanding track record and extensive experience in MSMEs transformation, innovation and fundraising activities.

Sales and Marketing of Beijing Shengshang

Beijing Shengshang mainly procures its customers and students by its sales agencies, supported by its internal sales and marketing team. The internal sales and marketing team of Beijing Shengshang formulates the sales and marketing strategies, offers guidance to realise the sales targets to be met by the sales agencies. The sales agencies of Beijing Shengshang are responsible for promoting the services, recruiting new students for market development, and maintaining the brand reputation of Beijing Shengshang. The sales agencies approach potential students mainly via phone calls, social media platforms and customer visits in a combined manner to attract the potential students to attend the free or introductory training programmes hosted by the Beijing Shengshang. The sales agencies shall receive the referral fee if customers who attended the promotional seminars subsequently sign up for core revenue generating training programmes offered by Beijing Shengshang.

During the year ended 31 December 2022 and the period ended 30 June 2023, Beijing Shengshang and its subsidiaries had in total approximately 387 and 252 sales agents that attributed to the revenue of Beijing Shengshang, respectively.

In addition, Beijing Shengshang also promotes its training programs through its online marketing (including social media platforms) and offline marketing (including customer visits).

Beijing Shengshang enters into sales agency agreements with its sales agencies. Sales agencies who procured students' enrolment in training programmes are entitled to programme referral fees according to rates set by Beijing Shengshang as amended from time to time, provided that the relevant training programme referred by the sales agencies has been attended by the student. For sales agencies that joined Beijing Shengshang (excluding exclusive authorised training programme providers) prior to September 2021, the amount of programme referral fees ranges from 10.0% to 50.0% of the training programme fees or the service fees, depending on the types of training programmes or other services enrolled by the students or subscribed by the customers. For sales agencies that joined Beijing Shengshang since September 2021 and exclusive authorised training programme providers, the amount of programme referral fees ranges from 10.0% to 40.0% of the training programme fees or the service fees, depending on the types of training programmes enrolled by the students or subscribed by the customers. Such fees shall be paid on a monthly basis.

In addition, Beijing Shengshang also provides subsidies to sales agencies or exclusive authorised training programme providers, as the case may be, who incur expenses when they organise free or introductory training programmes. The rates of the subsidies are set by Beijing Shengshang and may be amended from time to time. As of 30 June 2022, the exclusive authorised training programme providers were entitled to subsidies which was up to 11.0% of the training programme fees generated from training programme fees of students referred by the relevant exclusive authorised training programme provider. Prior to 2021, the sales agencies who organised free or authorised training programmes were also entitled to such subsidies, which was up to 4.0% of the training programme fees generated from training programme fees of students referred by such sales agency.

Shenzhen Co will not be the exclusive agent of Beijing Shengshang. However, Beijing Shengshang offers better terms to Shenzhen Co than those to the other existing sales agents of Beijing Shengshang because the ultimate beneficial owner of Beijing Shengshang, which is also the substantial shareholder of the Company, Mr. Yuan Li intends to efficiently develop Shenzhen Co.

Meanwhile, the competitive edge of Shenzhen Co when compared to the current sales agents of Beijing Shengshang lies in its robust management team, who possesses extensive sales and marketing expertise, as well as substantial customer resources. In contrast, many of Beijing Shengshang's existing sales agents are relatively small in scale, limiting their ability to continuously expand the scale of customers they are able to acquire.

As advised by the PRC legal adviser of the Company, considering that (i) the programme provided by Beijing Shengshang does not violate any mandatory national regulations under the PRC laws; (ii) Beijing Shengshang does not itself actively develop regional operation centres or operators, but rather sells its courses through agencies; (iii) the courses/programmes provided by Beijing Shengshang are voluntarily chosen, purchased and attended by customers/ students based on their own needs and out of their own free will; and (iv) Beijing Shengshang primarily generates revenue through the sale and provision of courses rather than from the development of regional operation centres, the business model of Beijing Shengshang does not fall under the provisions of article 7(3) of the Regulations on the Prohibition of Pyramid Scheme nor does it constitute the criminal elements of organising or leading pyramid selling as defined in the Criminal Law of the PRC.

In addition, as advised by the PRC legal adviser of the Company "pyramid selling" refers to either pyramid selling by recruitment-based compensation, entry fees, or team-based rewards. Considering that (i) there is no employment relationship between Shenzhen Co and Beijing Shengshang and that the income is derived from selling/delivery of courses and trainings to target customers, rather than based on the quantity of individuals "recruited" by Shenzhen Co; (ii) the training courses are sold by Shenzhen Co to target customers who purchase the courses/programmes voluntarily and fairly and that Shenzhen Co does not pay an "entry fee" to Beijing Shengshang for becoming a sales agent or for recruiting others; and (iii) there is no team-based reward which is calculated based on the sales performance of the target customers procured by Shenzhen Co under the Agency Agreement, the provision of agency services by Shenzhen Co does not fall under the prohibited categories of pyramid selling by recruitment-based compensation, entry fees, or team-based rewards stipulated in the *Regulations on the Prohibition of Pyramid Schemes* and therefore is not in violation of such regulation. Therefore, the PRC legal adviser of the Company is of the view that the agency services provided by Shenzhen Co to Beijing Shengshang under the Agency Agreement does not constitute pyramid selling.

Termination of the Acquisition Agreement

On 23 August 2022, the Company entered into the Acquisition Agreement with a series of vendors, pursuant to which, the Company had conditionally agreed to acquire the entire equity interest in Shengshang Entrepreneurial Services Co., Ltd.. On 11 September 2023, taking into consideration the reasons below, the parties to the Acquisition Agreement entered into an agreement to terminate the Acquisition Agreement:

(i) the parties to the Acquisition Agreement mutually agreed not to proceed with the Acquisition Agreement due to practical difficulties to fulfil all the conditions precedent prior to expiration of the already extended long-stop date, being 30 September 2023; and

(ii) decrease in valuation of Beijing Shengshang due to the deteriorating macro-economy which also affects Beijing Shengshang's sales performance in the recent year, making it unfair and reasonable for the Company to complete the Acquisition Agreement should it proceed.

The outstanding conditions precedent under the Acquisition Agreement include (i) the approval by the independent shareholders of the Company to approve the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Company having conducted and completed the due diligence review over the financial, legal, business, operational and other matters of Shengshang Entrepreneurial Services Co., Ltd. and its subsidiaries; (iii) all necessary licenses, consents, approvals, authorisation, permissions, waivers, orders, exemptions, waivers and so on which are required for the performance of the Acquisition Agreement; (iv) completion of the increase in authorised share capital of the Company; (v) the approval in principal from the Listing Committee of the newly issued shares of the Company as consideration shares under the Acquisition Agreement; and (vi) no material adverse change having occurred to the business, operations and financial performance of Shengshang Entrepreneurial Services Co., Ltd. and its subsidiaries. The reasons for delay in fulfilment of all the conditions precedent under the Acquisition Agreement include the following:

- the unexpected length of time to get all the approval from relevant authorities for the Acquisition Agreement, which result in delay of the transaction contemplated thereunder; and

- decrease in valuation of Beijing Shengshang due to the deteriorating macro-economy which, the Board believes, constitutes material change to the financial performance of Shengshang Entrepreneurial Services Co., Ltd. and its subsidiaries.

For further details, please see announcements of the Company dated 23 August 2022 and 11 September 2023.

Considering Beijing Shengshang's strong track record and that its training courses are well-received in the market, coupled with the extensive sales and marketing experience of the management of Shenzhen Co, the Company believes that the introduction of the new business conducted by Shenzhen Co will bring about a prosperous new source of income for the Group.

7 INTERNAL CONTROL MEASURES

The Group will adhere to the Listing Rules and the internal control procedures to ensure that the income retained by the Company under the Agency Agreement is fair and reasonable.

In particular, the Group has an established system for monitoring the continuing connected transactions. Under the Group's Internal Control Measures for Continuing Connected Transactions, the Finance Department of the Group will research terms for similar transactions in the market and compare with those of the continuing connected transactions entered into by the Group, subject to confirmation from the Board. The Audit Committee, the Board of Directors and the Group's Legal Department and Finance Department will regularly review and evaluate the Group's internal control procedures, the relevant agreements of the continuing connected transactions, implementation of the pricing policy as well as the annual caps to ensure that the agreements are entered into on normal commercial terms and that the terms of the agreements are fair and reasonable and in the interests of the Group and the shareholders as a whole.

The Company has adopted relevant internal control policies to monitor the pricing policy of the continuing connected transactions contemplated under the Agency Agreement and to ensure that the Annual Caps will not be exceeded.

- The Company's audit committee is responsible for the annual review and evaluation of the Group's internal control procedures, including but not limited to the relevant information relating to the Agency Agreement. In addition, the audit committee will prepare an internal control report for review and approval by the Board.

- The legal department and finance department of the Company is responsible for regularly monitoring, collecting and evaluating details of the continuing connected transactions under the Agency Agreement, including but not limited to the implementation of pricing policies, payment arrangements and actual transaction amounts under specific transactions, to ensure that such transactions are conducted in accordance with the Agency Agreement.

- The Board is responsible for regularly reviewing the implementation of the pricing policy and the Annual Caps.

- The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the Agency Agreement to ensure that the transactions are entered into on normal commercial terms and that the terms of the Agency Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole.

- The Company's auditors will also conduct an annual review of the pricing policy and Annual Caps.

Having considered that (i) the above methods and procedures include the necessary components of a system of internal control such as designated departments and responsible officers, clear approval procedures and monitoring systems and detailed and defined evaluation criteria; and (ii) the above review procedures for the detailed and defined evaluation criteria will ensure that the transactions will be executed in accordance with the pricing principles set out in the Agency Agreement, the Directors (including the independent non-executive Directors) consider that the Company has implemented effective internal control and risk management measures and that such methods and procedures will ensure that the transactions contemplated under the Agency Agreement will be carried out on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

8 LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Yuan Li is an executive Director and a substantial shareholder of the Company, controlling 65,001,624 Shares (representing approximately 29.64% of the issued share capital of the Company). Meanwhile, Mr. Yuan Li together with parties acting in concert pursuant to the arrangement under the Concerted Parties Confirmation collectively control 58.47% of the issued share capital of Beijing Shengshang. Therefore, Beijing Shengshang is an associate of Mr. Yuan Li and a connected person of the Company. As such, the transaction contemplated under the Agency Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

9 EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Agency Agreement and the transaction contemplated thereunder. All Shareholders who have a material interest in the Agency Agreement and the transaction contemplated thereunder, together with their close associates, will be required to abstain from voting at the EGM.

Noble Trade International is beneficially interested in 65,001,624 Shares. As Noble Trade International is an associate of Mr. Yuan Li, and Mr. Xu Xinying is a substantial shareholder of Chongqing Saint Information Technology Co., Ltd. (重慶聖商信息科技有限公司) (the parent company of Noble Trade International), Mr. Yuan Li and Mr. Xu Xinying were considered to have a material interest in the transaction contemplated under the Agency Agreement and were required to abstain from voting on the Board resolution(s) of the Company to approve the Agency Agreement and the transactions contemplated thereunder. Noble Trade International will abstain from voting on the resolutions to be proposed at the EGM to approve the Agency Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Director had a material interest in the Agency Agreement and the transaction contemplated thereunder transaction contemplated and therefore had abstained from voting on the board resolution(s) of the Company to approve the Agency Agreement and the transactions contemplated thereunder.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the other Shareholders and its associates is required to abstain from voting on any resolutions to be proposed at the EGM.

Save for Mr. Yuan Li and Mr. Xu Xinying who were considered to be interested in the Agency Agreement and the transaction contemplated thereunder, no other Directors were required to abstain from voting on the board resolution to approve the Agency Agreement and the transaction contemplated thereunder.

A form of proxy for use at the EGM is enclosed to this circular and such form of proxy is also published on websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.hyjd.com). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a 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, not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

10 RECOMMENDATION

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that the Agency Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable than those available to or from independent third parties under prevailing local market conditions; and (iii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board recommends the Independent Shareholders to vote in favour of the resolution in respect of the Agency Agreement and the transaction contemplated thereunder to be proposed at the EGM.

11 FURTHER INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite such offer or invitation. Neither this circular nor anything contained herein shall form any contract or commitment whatsoever.

Your attention is also drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Agency Agreement; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains the recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the same, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

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

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Agency Agreement, which has been prepared for the purpose of inclusion 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)

24 October 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO
THE AGENCY AGREEMENT
AND
NOTICE OF EGM**

We refer to the circular of the Company dated 24 October 2023 (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise you as to whether, in our opinion, the Agency Agreement and the transaction contemplated thereunder (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

Vinco Financial has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the Agency Agreement and the transaction contemplated thereunder. Details of the advice from Vinco Financial, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 28 to 41 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 25 of the Circular and the additional information set out in the appendices to the Circular.

Having considered (i) the terms and conditions of the Agency Agreement, (ii) the discussion with the management of the Company about the background to and nature of the Agency Agreement, (iii) the reasons for the proposed Annual Caps and the basis of determination, (iv) the business and financial effects of the Agency Agreement, and (v) the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at such advice, we are of the view that the Agency Agreement and the transaction contemplated thereunder (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable than those available to or from independent third parties under prevailing local market conditions; (iii) are fair and reasonable and in the interests of Company and the Shareholders as a whole; and that the proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM so as to approve the Agency Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee of
Qidian International Co., Ltd.
Zhang Yihua
Chen Rui
Fung Tak Choi
Independent Non-executive Directors

The following is the text of a letter of advice from Vinco Financial setting to the Independent Board Committee and the Independent Shareholders prepared in respect of the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder, which has been prepared for the purpose of incorporation in this circular:

VINCO 榮高
Vinco Financial Limited

24 October 2023

To the Independent Board Committee and the Independent Shareholders of
Qidian International Co., Ltd.

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE AGENCY AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agency Agreement (including the proposed Annual Caps), details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular of the Company dated 24 October 2023 issued to the Shareholders (the "**Circular**"), 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 28 August 2023 (the "**Announcement**") that Shenzhen Co entered into the Agency Agreement with Beijing Shengshang, pursuant to which Beijing Shengshang authorised Shenzhen Co to act as its agent for sales and promotion of Beijing Shengshang's training courses and services.

As at the Latest Practicable Date, Mr. Yuan Li is an executive Director and a substantial shareholder of the Company, controlling 65,001,624 Shares (representing approximately 29.64% of the issued share capital of the Company). Meanwhile, Mr. Yuan Li together with parties acting in concert pursuant to the arrangement under the concerted parties confirmation dated 1 November 2021 collectively control 58.47% of the issued share capital of Beijing Shengshang. Therefore, Beijing Shengshang is an associate of Mr. Yuan Li and a connected person of the Company. As such, the transaction contemplated under the Agency Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi, has been established by the Board to consider and advise the Independent Shareholders in respect the Agency Agreement (including the proposed Annual Caps). We have been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the continuing connected transactions contemplated under the Agency Agreement. 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 Agency Agreement is on normal commercial terms, and in the interests of the Company and Independent Shareholders as a whole and whether the terms of the continuing connected transactions contemplated under the Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were 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 at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, 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 were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, there was no engagement between the Company and Vinco Financial. Accordingly, we consider that we are eligible to give independent advice in respect of the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder.

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 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 Latest Practicable Date 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. 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 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 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 particularly, (i) the annual report of the Company for the year ended 31 December 2022; (ii) the interim report of the Company for the six months ended 30 June 2023; (iii) the Agency Agreement; (iv) the historical transactions in relation to the sales and promotion of Beijing Shengshang's training courses and services; (v) the basis and assumption of the transactions contemplated under Agency Agreement; and (vi) the internal control measures governing continuing connected transactions 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 Agency Agreement, 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 Agency Agreement, 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder, we have taken into account the principal factors and reasons set out below.

Information of Shenzhen Co

Shenzhen Co is a limited liability company established under the laws of the PRC on 8 August 2023, 75% owned by the Company as at the Latest Practicable Date. Shenzhen Co is principally engaged in sales and marketing and provision of training services.

Information of Beijing Shengshang

Beijing Shengshang is a limited liability company established under the laws of the PRC on 5 August 2005. Beijing Shengshang and its subsidiaries are engaged in MSME and IB entrepreneurship training services in the PRC which targets entrepreneurs and senior executives in MSMEs, as well as individuals conducting IB who are interested in establishing start-up enterprises. As at the Latest Practicable Date, Beijing Shengshang is an associate of Mr. Yuan Li and therefore a connected person of the Company. Mr. Yuan, via Greatssjy Co., Ltd., holds 28.58% interest in Beijing Shengshang himself.

Business Model of Beijing Shengshang

As stated in the Letter from the Board, Beijing Shengshang offers a portfolio of training and consulting services to entrepreneurs and senior executives in MSMEs as well as individuals conducting IB who are interested in establishing start-up enterprises. We understand the training and consulting services offered by Beijing Shengshang includes:

- MSME and IB entrepreneurship training services, which are generally conducted offline through various seminars and site visits to enterprises. The training programmes are mainly specifically geared to particular needs of the target customers of Beijing Shengshang and its subsidiaries who intend to enhance their management capabilities in aspects such as business management, fiscal and tax optimisation, employee incentives, human resources management, wealth management and investment topics. The training programmes cover topics such as national macro-economical policies and trends, entrepreneurial strategies, equity financing methods, wealth inheritance and planning and knowledge about private equity.

- Beijing Shengshang also provides customised consulting services to corporate customers whose businesses have passed the growth phases and have matured, on one-on-one basis in order to help them further improve the business operations and corporate structure and identify strategic issues and opportunities for their businesses. Beijing Shengshang jointly delivers the consulting services with its strategic partner who has outstanding track record and extensive experience in MSMEs transformation, innovation and fundraising activities.

Beijing Shengshang mainly procures its customers and students by its sales agencies, supported by its internal sales and marketing team. The internal sales and marketing team of Beijing Shengshang formulates the sales and marketing strategies, offers guidance to realise the sales targets to be met by the sales agencies. The sales agencies of Beijing Shengshang are responsible for promoting the services, recruiting new students for market development, and maintaining the brand reputation of Beijing Shengshang. The sales agencies approach potential students mainly via phone calls, social media platforms and customer visits in a combined manner to attract the potential students to attend the free or introductory training programmes hosted by the Beijing Shengshang. The sales agencies shall receive the referral fee if customers who attended the promotional seminars subsequently sign up for core revenue generating training programmes offered by Beijing Shengshang. Beijing Shengshang enters into sales agency agreements with its sales agencies. Sales agencies who procured students' enrolment in training programmes are entitled to programme referral fees according to rates set by Beijing Shengshang as amended from time to time, provided that the relevant training programme referred by the sales agencies has been attended by the student.

Also, we have obtained the legal memorandum on matters related to the business model of Beijing Shengshang issued by the PRC legal adviser dated 14 September 2023, considering that (i) the programme provided by Beijing Shengshang does not violate any mandatory national regulations under the PRC laws; (ii) Beijing Shengshang does not itself actively develop regional operation centres or operators, but rather sells its courses through agencies; (iii) the courses/programmes provided by Beijing Shengshang are voluntarily chosen, purchased and attended by customers/students based on their own needs and out of their own free will; and (iv) Beijing Shengshang primarily generates revenue through the sale and provision of courses rather than from the development of regional operation centres, the business model of Beijing Shengshang does not fall under the provisions of article 7(3) of the Regulations on the Prohibition of Pyramid Scheme nor does it constitute the criminal elements of organising or leading pyramid selling as defined in the Criminal Law of the PRC.

In addition, as advised by the PRC legal adviser, "pyramid selling" refers to either pyramid selling by recruitment-based compensation, entry fees, or team-based rewards. Considering that (i) there is no employment relationship between Shenzhen Co and Beijing Shengshang and that the income is derived from selling/delivery of courses and trainings to target customers, rather than based on the quantity of individuals "recruited" by Shenzhen Co; (ii) the training courses are sold by Shenzhen Co to target customers who purchase the courses/programmes voluntarily and fairly and that Shenzhen Co does not pay an "entry fee" to Beijing Shengshang for becoming a sales agent or for recruiting others; and (iii) there is no team-based reward which is calculated based on the sales performance of the target customers procured by Shenzhen Co under the Agency Agreement, the provision of agency services by Shenzhen Co does not fall under the prohibited categories of pyramid selling by recruitment-based compensation, entry fees, or team-based rewards stipulated in the Regulations on the Prohibition of Pyramid Schemes and therefore is not in violation of such regulation. Therefore, we consider such legality of the business model of Beijing Shengshang when making our recommendation to the Independent Board Committee and the Independent Shareholders that the agency services provided by Shenzhen Co to Beijing Shengshang under the Agency Agreement does not constitute pyramid selling.

Reasons for and benefits of entering into the Agency Agreement

As disclosed in the Letter from the Board, the principal activities of the Group include the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the PRC.

Meanwhile, the Group has been actively exploring investment and business opportunities to broaden its assets and revenue base. Beijing Shengshang has a long history and a successful record of operating its training services business in the PRC. We have collected the information of Beijing Shengshang including its course details, operation expenses and awards received regarding its services provided and understood Beijing Shengshang promotes its training programs and enhances its overall brand recognition among prospective students with extensive sales channels. Marketing activities of Beijing Shengshang are mainly conducted through the sales agencies, which are supported by the sales and marketing team and monitored by the monitoring and surveillance team of Beijing Shengshang.

With reference to the Letter from the Board, given the strong record of Beijing Shengshang's training services business, Shenzhen Co, acting as an agent to Beijing Shengshang, will bring in a new source of income to the Group. The Company is positive about the prospects of Shenzhen Co also because the management team of Shenzhen Co has rich experience in sales and marketing of similar business. Most of the members of the management team of Shenzhen Co have more than ten years of experience in the education and training industry, good management skills, sales channel development capabilities, as well as technical support capabilities. Pursuant to the profile of the management team of Shenzhen Co obtained from the Company, we noted that there are not less than three management members of Shenzhen Co, who possess over 10 years of experience in production and digital marketing of business training courses in the PRC and over 10 years of experience in education and training industry, are responsible to oversee the sales and marketing operations. Since the main service to be provided by Shenzhen Co to Beijing Shengshang under the Agency Agreement is sales and promotion of training courses and services, we found such working experience is relevant to the transaction contemplated under the Agency Agreement. As discussed with the management of the Company, it is beneficial to the Group to introduce this new business without diluting the equity interests of minority shareholders of the Company.

Having considered the above, we are of the view that the entering into of the Agency Agreement is not conducted in the ordinary and usual course of the Group's business but is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Summary of the principal terms of the Agency Agreement

a. Principal terms of the Agency Agreement

Date

28 August 2023

Parties

(i) Shenzhen Co as sales agent

(ii) Beijing Shengshang as principal

Nature of transaction

Beijing Shengshang provides MSME and IB entrepreneurship training services in the PRC targeting at entrepreneurs and senior executives in MSMEs, as well as individuals conducting IB who are interested in establishing start-up enterprises. The customers/students procured by Shenzhen Co represent the end customers of the training courses and services.

During the term of the Agency Agreement, Beijing Shengshang authorised Shenzhen Co to act as its agent for the sales and promotion of Beijing Shengshang's training courses and services.

The Company has no intention to dispose of, downsize or terminate any of its existing businesses.

Responsibilities and liabilities

Pursuant to the Agency Agreement:

(i) Beijing Shengshang will be responsible for the design and delivery of training courses and services;

(ii) Shenzhen Co will bear the promotion cost and it will pay Beijing Shenghshang the cost incurred in delivering the course under the Agency Agreement, being the transaction fees, which includes cost for design and delivery of the courses and a reasonable gross profit to be retained by Beijing Shengshang;

(iii) Beijing Shenghshang will determine the course content and fees; and

(iv) Shenzhen Co will be liable for claim and indemnities (if any) from customers and students. After Shenzhen Co settles the claim with customers and students, Shenzhen Co will claim Beijing Shengshang for liabilities arising from the delivery of the course, for which Beijing Shengshang should be responsible.

Customer and student procurement

Shenzhen Co procures entrepreneurs and executives in MSMEs in the PRC.

There are three management members of Shenzhen Co that oversee the sales and marketing operations. They possess over 10 years of experience in production and digital marketing of business training courses in the PRC and over 10 years of experience in education and training industry.

Shenzhen Co intends to further engage external sales agents, which forms part of its future marketing channel. Other than potential external sales agents, Shenzhen Co will promote and sell the training courses through its own resources and sales channel.

Term and termination

For a term commencing upon obtaining the Independent Shareholders' approval of the transaction contemplated under the Agency Agreement at the EGM and expiring on 31 December 2025.

Payment arrangement

Shenzhen Co will, as an agent, enter into sales contracts with customers and students as end customers. Beijing Shengshang shall produce the details of customers introduced by Shenzhen Co for the preceding month within ten (10) days from the end of the preceding month. 25% of the income from the sales of Beijing Shengshang's training courses and services by Shenzhen Co as an agent will be paid as transaction fees to Beijing Shengshang within ten (10) days after parties have agreed on the amount of the transaction fees. Such income, being the enrolment fee, consists of no other income but the subscription fees of Beijing Shengshang courses.

Customers and students are required to make upfront payment of the enrolment to Shenzhen Co prior to attending the training courses. Such payment could be made by way of either cash or electronic payment.

Upon the completion of the course, Shenzhen Co shall recognise the revenue and pay 25% of income (i.e. enrolment fee) to Beijing Shengshang within a month after Beijing Shengshang has delivered the training courses.

As stipulated in the Agency Agreement, if a customer complaint relates to the delivery of the course and Shenzhen Co needs to refund the customer, Beijing Shengshang shall be liable to reimburse Shenzhen Co with the full amount of customer's complaint. The refunded amount will be deducted from the transaction fees payable to Beijing Shengshang if such transaction fees had not been paid or shall be offset by the transaction fees payable in the following month if the transaction fees had been paid to Beijing Shengshang. Otherwise if a customer complaint is due to default by Shenzhen Co, then Shenzhen Co shall be liable for such complaint.

Pricing Policy

The transaction fees payable by Shenzhen Co to Beijing Shengshang under the Agency Agreement should be fair and reasonable, on the normal commercial terms. The transaction fee is determined after arm's length negotiation between the parties to cost of training courses provided by Beijing Shengshang for the past two financial years ended 31 December 2022 and six months ended 30 June 2023.

In the past, the cost of design and delivery of courses, the administration costs, the promotion costs and referral fees to other sales agents were all borne by Beijing Shengshang. However, under the Agency Agreement, other than transaction fee, costs will now be borne by Shenzhen Co. Therefore, Shenzhen Co will retain higher portion, whereas Beijing Shengshang would retain 25% of income, being only the cost of design and delivery of courses incurred by Beijing Shengshang and considering a reasonable gross profit to be retained by Beijing Shengshang.

The cost of providing the training courses and services plus referral fee to other sales agents is approximately not less than 65% of the income from the sales of Beijing Shengshang's training courses and services on average in the latest period of 2023. The ratio of 65% refers to the historical cost of Beijing Shengshang under the existing agency model (with other agents).

Our analysis on the terms of the Agency Agreement

Shenzhen Co will not be the exclusive agent of Beijing Shengshang. However, Beijing Shengshang offers better terms to Shenzhen Co than those to the other existing sales agents of Beijing Shengshang because the ultimate beneficial owner of Beijing Shengshang, which is also the substantial shareholder of the Company, Mr. Yuen Li intends to efficiently develop Shenzhen Co.

As confirmed with the management of the Company, sales agencies who procured students' enrolment in training programmes are entitled to programme referral fees according to rates set by Beijing Shengshang as amended from time to time, provided that the relevant training programme referred by the sales agencies has been attended by the student. We have collected the pricing guideline and samples of contracts regarding the above transaction entered into by Beijing Shengshang and the independent third party sales agencies and noted that the independent third party sales agencies that joined Beijing Shengshang (excluding exclusive authorised training programme providers) prior to September 2021 received approximately 50.0% of the training programme fees or the service fees as the programme referral fees while the amount of programme referral fees ranges from 10.0% to 40.0% of the training programme fees or the service fees for the independent third party sales agencies that joined the Beijing Shengshang since September 2021 depending on the types of training programmes enrolled by the students or subscribed by the customers. Such fees shall be paid on a monthly basis.

As Shenzhen Co was only newly incorporated, we have made reference to historical transactions that entered into by Beijing Shengshang and the independent third party sales agencies. Pursuant to the breakdown of the historical cost related to the sales and promotion of Beijing Shengshang's training courses and services for the past two financial years ended 31 December 2022 and six months end 30 June 2023 we obtained from the Company, we found the Company provided subsidies to independent third party sales agencies, as the case may be, who incur expenses when they organise free or introductory training programmes. The rates of the subsidies are set by Beijing Shengshang and may be amended from time to time. As of 30 June 2022, the independent third party sales agencies were entitled to subsidies which was up to 11.0% of the training programme fees generated from training programme fees of students referred by the relevant exclusive authorised training programme provider. Prior to 2021, the independent third party sales agencies who organised free or authorised training programmes were also entitled to such subsidies, which was up to 4.0% of the training programme fees generated from training programme fees of students referred by such sales agency.

By comparing the gross profit of Shenzhen Co as sales agent of Beijing Shengshang as stated in the breakdown of expected cost under the Agency Agreement obtained from the Company and the referral fees entitled by the independent third party sales agencies of Beijing Shengshang as stated in the sample contracts and breakdown of the historical cost of Beijing Shengshang mentioned earlier, we noted that the income-retention ratio offered to Shenzhen Co under Agency Agreement is not less favourable than the independent third party sales agencies engaged with Beijing Shengshang.

As stated under the section headed "a. Principal terms of the Agency Agreement — Payment arrangement", the transaction fee, being 25% of the enrolment fee, consists of the cost of design and delivery of courses incurred by Beijing Shengshang plus a reasonable gross profit to be retained by Beijing Shengshang. By deducting the transaction fee paid to Beijing Shengshang and the expected promotion costs which was estimated based on the historical cost billed to Beijing Shengshang, we expected Shenzhen Co received gross profit not less favourable than the referral fees plus the subsidies received by other independent third party sales agencies from selling and promoting Beijing Shengshang's courses.

In assessing the fairness and reasonableness of the terms of the Agency Agreement, we also have initially reviewed the Agency Agreement provided by the Company. Accordingly, we made reference to the continuing connected transactions related to the agent series announced by other companies listed on the Stock Exchange during the 12 months immediately preceding the date of the Agency Agreement that the transaction fee is charged on a monthly basis or period beyond such duration. Also, we have obtained the information of the latest expenses related to the sales and promotion of Beijing Shengshang's training courses and services and the gross profit generated by Beijing Shengshang in the past two financial years ended 31 December 2022 and six months ended 30 June 2023 from the Company. We found that the cost of providing the training courses and services is approximately not less than 65% of the income from the sales of Beijing Shengshang's training courses and services on average in the latest period of 2023. After considering the actual cost and gross profit margin of Beijing Shengshang occurred for the two years ended 31 December 2022 according to the breakdown of historical costs and gross profit margin obtained from the Company and the expected cost of Shenzhen Co under Agency Agreement mentioned earlier, we found the income-retention ratio offered to Shenzhen Co is no less favourable when comparing to other independent third party sales agencies engaged with Beijing Shengshang. Therefore, it is fair and reasonable for Shenzhen Co to set approximately 25% of the income from the sales of training courses as the transaction fee payable to Beijing Shengshang. Based on the above, we consider the terms under the Agency Agreement are conducted on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

b. The proposed annual caps

Set out below is the proposed Annual Caps for the three years ending 31 December 2025 under the Agency Agreement:

	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
	RMB million	*RMB million*	*RMB million*
Proposed Annual Caps	10	55	58

As stated in the Letter from the Board, the proposed Annual Cap for the year ending 31 December 2023 covers only approximately three months, while the proposed Annual Caps for the year ending 31 December 2024 covers the whole year of 12 months. The proposed Annual Caps are proportionate to their length and therefore are fair and reasonable.

In order to assess whether the proposed Annual Caps under the Agency Agreement is fair and reasonable, we have considered the basis and assumptions on the proposed Annual Caps in the following aspects.

(i) the estimation on the aggregate transaction fees under the Agency Agreement based on the total historical revenue and cost of Beijing Shengshang training services for the past two financial years ended 31 December 2022 and six months ended 30 June 2023 in scalable sales channels. Based on the relevant gross profit of Beijing Shengshang's business in training courses and services for the past two financial years ended 31 December 2022 and the six months ended 30 June 2023 we obtained from the Company, we noted that the Company considers the actual cost of providing the courses to ensure the coming income generated from the Agency Agreement can create profit accordingly;

(ii) the forecast of expected income from the sales of Beijing Shengshang's training courses and services based on the actual income of such sales generated by Beijing Shengshang for the year ended 31 December 2022 and the six months ended 30 June 2023 with an estimated annual growth rate of 5%. We noted that the expected income for the year ending 31 December 2024 is based on approximately RMB220 million of the average of historical income from the sales of Beijing Shengshang's training courses and services for the year ended 31 December 2022 and the annualised amount for the six months ended 30 June 2023. Assuming such revenue can be generated for the year ending 31 December 2024, the transaction fee payable to Beijing Shengshang would be approximately RMB55 million with reference to the pricing terms that 25% of the income will be paid as transaction fees by Shenzhen Co;

(iii) the expected transaction fee is calculated as 25% of the income generated from the sale of Beijing Shengshang's courses. As such, the annual caps for each of the three years ending on 31 December 2025, was derived by multiplying 25% with the expected income generated by Shenzhen Co from the sale of Beijing Shengshang courses during the aforementioned three-year period. Pursuant to the number of historical individual sales representative and sales agents provided by the Company, we found the revenue of Beijing Shengshang was approximately RMB291.78 million, which was generated by approximately 505 individual sales representatives (from approximately 387 sales agents) in total for the year ended 31 December 2022 and therefore the average income generated per individual sales representative is approximately RMB578,000. As confirmed by the Company, Shenzhen Co is developing its own sales personnel and is expected to engage external sales agents with in total of approximately 70, 380 and 400 individual sales representatives for the years ending 31 December 2023, 2024 and 2025, respectively. Therefore, based on the historical average income generated by each individual sales representative of Beijing Shengshang, Shenzhen Co is expected to generate an income of approximately RMB40.46 million, RMB219.64 million and RMB231.20 million for the years ending 31 December 2023, 2024 and 2025, respectively, for its provision of agency services;

(iv) the expected income for the year ending 31 December 2024 is based on approximately RMB220 million of the average of historical income from the sales of Beijing Shengshang's training courses and services for the year ended 31 December 2022 and the annualised amount for the six months ended 30 June 2023. The revenue of Beijing Shengshang for the years ended 31 December 2021 and 31 December 2022 were approximately RMB429.61 million and RMB291.78 million, respectively, which derived from numbers of students attended the training courses of Beijing Shengshang multiple the enrolment fee of respective courses during the years ended 31 December 2021 and 31 December 2022, respectively. Pursuant to the plan of the Company we note that the Annual Caps are based on the expected number of students attending the training courses of Beijing Shengshang to be procured by the Company multiple the enrolment fee of respective courses for the three years ending 31 December 2025. Therefore, the expected income of Beijing Shengshang for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 are determined with reference to the expected number of students for each course multiplied by enrolment fee for such course; and

(v) based on the industry report named as "Industry Report on the MSME and IB Entrepreneurship Training Servies Market in China" published by China Insights Consultancy, the professional consulting agency in PRC earlier in 2023, we noted that the PRC government issued the List of Practical Matters for "specialized, special and new" Small and Medium-Sized Enterprises* (《為"專精特新"中小企業辦實事清單》), stated that there would be a "specialized, special and new" talent training for small and medium-sized enterprises including training no less than 20,000 management talents by the end of 2022. We believe such promotion encourages the enterprises and professionals to seek training courses from the entrepreneurship training services providers like Shenzhen Co in order to respond the national strategy from PRC government while keeping up with the market trend to be a more competitive enterprise. Taking into account the positive growth of demand for training services in PRC, we concur with the assumption on the expected transactions to be occurred under the Agency Agreement is reasonable.

Based on the above, we are of the view that the proposed Annual Caps under the Agency Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole.

c. Internal control measures

As set out in the Letter from the Board of the Circular, the Group will adhere to the Listing Rules and the internal control procedures to ensure that the income retained by the Company under the Agency Agreement is fair and reasonable.

In particular, the Group has an established system for monitoring the continuing connected transactions. Under the Group's Internal Control Measures for Continuing Connected Transactions, the finance department of the Group will research terms for similar transactions in the market and compare with those of the continuing connected transactions entered into by the Group, subject to confirmation from the Board. As mentioned in our assessment on the fairness of the pricing policy earlier, we have reviewed samples of contracts entered into by Beijing Shengshang and its independent third party sales agencies and noted the income retained by the Company under the

Agency Agreement is fair and reasonable and no less favourable than other similar arrangement of Beijing Shengshang with other agents. The audit committee, the Board and the Group's legal department and finance department will regularly review and evaluate the Group's internal control procedures, the relevant agreements of the continuing connected transactions, implementation of the pricing policy as well as the annual caps to ensure that the agreements are entered into on normal commercial terms and that the terms of the agreements are fair and reasonable and in the interests of the Group and the shareholders as a whole.

The Company has adopted relevant internal control policies to monitor the pricing policy of the continuing connected transactions contemplated under the Agency Agreement and to ensure that the Annual Caps will not be exceeded.

- The Company's audit committee is responsible for the annual review and evaluation of the Group's internal control procedures, including but not limited to the relevant information relating to the Agency Agreement. In addition, the audit committee will prepare an internal control report for review and approval by the Board.

- The legal department and finance department of the Company is responsible for regularly monitoring, collecting and evaluating details of the continuing connected transactions under the Agency Agreement, including but not limited to the implementation of pricing policies, payment arrangements and actual transaction amounts under specific transactions, to ensure that such transactions are conducted in accordance with the Agency Transaction Agreement.

- The Board is responsible for regularly reviewing the implementation of the pricing policy and the Annual Caps.

- The independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the Agency Agreement to ensure that the transactions are entered into on normal commercial terms and that the terms of the Agency Transaction Agreements are fair and reasonable and in the interests of the Company and the shareholders as a whole.

- The Company's auditors will also conduct an annual review of the pricing policy and Annual Caps.

Having considered that (i) the above methods and procedures include the necessary components of a system of internal control such as designated departments and responsible officers, clear approval procedures and monitoring systems and detailed and defined evaluation criteria; and (ii) the above review procedures for the detailed and defined evaluation criteria will ensure that the transactions will be executed in accordance with the pricing principles set out in the Agency Agreement, the Directors (including the independent non-executive Directors) consider that the Company has implemented effective internal control and risk management measures and that such methods and procedures will ensure that the transactions contemplated under the Agency Agreement will be carried out on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

For due diligence purpose, we have obtained and reviewed the internal control policy in respect of the continuing connected transactions of the Company, detailing the internal control measures for conduiting the transactions contemplated under the Agency Agreement going forward. Having discussed with the management of the Group on the internal control procedures as set out above, we concur that the Company would take reasonable active steps to ensure compliance with the Listing Rules with the view of the management of the Group that the internal control measures shall be adopted by the Company for the purpose of monitoring the proposed Annual Caps.

RECOMMENDATION

Having taken the above principal factors and reasons, we are of the view that the entering of Agency Agreement is not in the ordinary and usual course of business of the Group but is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Agency Agreement (including the proposed Annual Caps) for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM approving the Agency Agreement (including the proposed Annual Caps) and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Financial 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 Financial 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. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 are disclosed in the following documents, which can be accessed on both the websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.hyjd.com).

Quick links

(i) for the year ended 31 December 2020 (pages 41 to 129):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700907.pdf

(ii) for the year ended 31 December 2021 (pages 37 to 119):
https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100459.pdf

(iii) for the year ended 31 December 2022 (pages 43 to 118):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042100607.pdf

(iv) for the six months ended 30 June 2023 (pages 16 to 44):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0927/2023092700439.pdf

2. INDEBTEDNESS

As at the close of business on 31 August 2023, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Group was approximately RMB441,290,759 comprising:

(a) unsecured other borrowing of approximately RMB418,832,676;

(b) secured other borrowing of approximately RMB10,833,083;

(c) lease liabilities of approximately RMB11,625,000.

Secured borrowing and unsecured borrowings amounted to approximately RMB430 million as of 31 August 2023 of which RMB430 million was classified as non-current liabilities.

Lease liabilities of approximately RMB11.6 million as at 31 August 2023 represented the present value of lease payments to be made over the lease term by the Group as lessee. Such lease liabilities amounted to approximately RMB11.6 million as of 31 August 2023 of which RMB7.4 million was classified as current liabilities and RMB4.2 million was classified as non-current liabilities.

As of the close of business on 31 August 2023 being the latest practicable date for the preparation of the indebtedness statement in this circular, save as disclosed above the Group did not have any contingent liabilities. Save as disclosed above, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued and term loans (secured, unsecured, guaranteed or not) and any other borrowing, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance leases, guarantees or other material contingent liabilities as of 31 August 2023.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including internally generated funds and other facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances, such as any event of force majeure occurs including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out.

4. MATERIAL CHANGES

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 2022, being the date on which the latest published audited consolidated financial statements of the Group were made up.

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. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity and nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation (1)
Yuan Li	Interest of controlled corporation (2)	65,001,624 Shares (L)	29.64%

(L) Denotes long position

Notes:

(1) The percentage is calculated based on 219,279,744 Shares in issue as at the Latest Practicable Date.

(2) The 65,001,624 Shares where held by Noble Trade International Holdings Limited as beneficial owner. Noble Trade International Holdings Limited was 100% wholly-owned by Mogen Ltd. Mogen Ltd. Was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd. in which Mr. Yuan Li, an executive Director, owned 40.44%.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors of the Company, there was no other person (other than the Directors or the chief executive of the Company above) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 2022, 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 of shareholder	Capacity and nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd. (Note 1)	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Noble Trade International Holdings Limited* (聖行國際集團有限公司) (Note 1)	Beneficial owner	65,001,624 shares (L)	29.64%

Name of shareholder	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)	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (Note 2)	Beneficial owner	23,755,306 shares (L)	10.83%
Shan Weiwei (Note 2)	Interest of controlled corporation	23,755,306 shares (L)	10.83%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	Beneficial owner	23,400,210 shares (L)	10.67%
Sun Yan (Note 3)	Interest of controlled corporation	23,400,210 shares (L)	10.67%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (Note 4)	Beneficial owner	17,679,604 shares (L)	8.06%
Chen Bo (Note 4)	Interest of controlled corporation	17,679,604 shares (L)	8.06%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	Interest of controlled corporation	13,097,000 shares (L)	5.97%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	Interest of controlled corporation	13,097,000 shares (L)	5.97%

Name of shareholder	Capacity and nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
BOCE (Hong Kong) Co., Limited (Note 5)	Beneficial owner	13,097,000 shares (L)	5.97%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) (Note 6)	Beneficial owner	11,955,181 shares (L)	5.45%
Cao Kuanping (曹寬平) (Note 6)	Interest of controlled corporation	11,955,181 shares (L)	5.45%
Mao Shanzhen (茅善珍) (Note 6)	Spouse interest	11,955,181 shares (L)	5.45%

(L) Denotes long position

Note:

(1) The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was wholly-owned by Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an Executive Director as to 40.44%.

(2) The 23,755,306 shares 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 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) The 17,679,604 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 wholly-owned by Mr. Chen Bo.

(5) The 13,097,000 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 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

2023 would be the inflection point of internal and external demand. The internal demand will be the key factor of China's economy recovery. Meanwhile, the consumption is expected to recover rapidly after optimization of pandemic prevention and control measures. The real estate industry is expected to be stable driven by policies. The growth rate of investment and sales is expected to rebound. The growth rate of infrastructure investment will maintain at high level.

Based on the research and judgment of the macroeconomic situation and the industry which continues to pick up with good momentum and with reference to the recent industry policies issued by the government, the Group will focus on the following tasks:

(1) EASING OF REAL ESTATE POLICY

At the policy level, in order to improve policy toolkit, supporting the construction and delivery of residential projects that have been sold and overdue and have difficulty in delivery by way of policy-backed special bank borrowings, measures were released by the MOHURD, MOF, PBOC and other relevant ministries on 19 August 2022. On 8 November 2022, the NAFMII released policies to support private enterprises financing, the supportable scale of bond financing of which could be about 250 billion. On 28 November 2022, the SFC resolved to adjust and optimize 5 measures in the aspect of supporting equity financing of real estate enterprises, and frequently launched stimulus policies on real estate industry. Home appliances have strong decoration attributes and are a typical industry of the latter real estate cycle. From the perspective of the transmission chain, large home appliance products such as kitchen appliances and white home appliances are more affected by real estate, while small home appliance products are relatively less affected. In general, the growth in the size of the home appliance market can be divided into volume and price growth, of which volume growth is mainly divided into new demand and renewal demand. The performance of real estate mainly affects the new housing demand in volume growth, as well as the increase in the household appliance ownership in existing homes and renewal demand. In the future, the Group will, on the one hand, focus on analysing macro and relevant industry policies, and study the impact of policies on home appliance products. On the other hand, the Group will adjust its marketing strategies in a timely manner, and appropriately increase the sales of kitchen appliances, white appliances and other major home appliances according to the policies and increase sales.

(2) DEMAND FOR TERMINALS

In 2022, it is encouraged in the Report on the Work of the Government that local areas shall conduct activities of promoting green smart home appliances to the countryside and renewal of home appliances, improve product and service quality, strengthen consumer rights protection, make efforts to meet the needs of customers and increase their willingness to consume. At the same time, in response to the repeated impact of the pandemic on consumer confidence, consumer coupons have been issued for home appliances in many places. According to incomplete statistics from China Business Daily, about 40 regions across the country have issued consumer coupons, with a cumulative amount of over 5 billion issued, and an amount of over 500 million issued for the home appliance industry. Most of the supplementary discount rates are 10%-15%. Stimulated by the demand for retail terminals, as a home appliance retailer in third- and fourth-tier cities, the Group will make full use of the policy dividends, and under the expansion of consumer demand, it will increase its efforts to promote channel reform, focus on the integration of online and offline, fully leverage on their own advantages of online and offline and are committed to improving the retail performance of home appliances.

(3) INCREASE MARKET SHARE IN MAOTAI-FLAVOR LIQUOR, IMPROVE RESULTS AND PROFITABILITY

According to the data from Lanjinger (藍鯨財經), the sales income of Maotai-flavor liquor industry will amount to 255.6 billion by 2026, with the average annual growth rate maintaining at 6.50%. As the Central Economic Work Conference held at the end of 2022 took the recovery of consumption as the primary development strategy, the Maotai-flavor liquor industry will embrace development opportunities under the recovery of economy. During the reporting period, based on the research and judgement on the unique development advantages of Maotai-flavor liquor, the Company has stepped into the Maotai-flavor liquor area through the establishment of liquor subsidiaries and entering into liquor cooperation agreement, with an aim to open new retail types and add Maotai-flavor liquor products on top of home appliance retail business, so as to carry out diversified retail business, while improve the brand influence and market penetration of Guofeng Maotai-flavor liquor, and to explore the secondary growth curve for business growth and steadily enhance the profitability of the Company. In view of the various opportunities and challenges in the sustainability development of Maotai-flavor liquor industry, by making fully use of the special nature of Maotai-flavor liquor, such as high social scenes, strong demand, stable customer base and increasingly young customers, the Company will put effort on, among others, the reshaping of consumption scene, expansion of customer source, innovation of package design, brand operational ability and digital marketing, to steadily enhance the competitiveness of Maotai-flavor liquor.

7. EXPERT'S QUALIFICATION AND CONSENT

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the Independent Financial Adviser who has given its opinions or advices which are contained in this circular:

Name	**Qualification**
the Independent Financial Adviser	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser 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, the Independent Financial Adviser 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, the Independent Financial Adviser did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2022 (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.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(1) The Agency Agreement;

(2) The disposal agreement dated 19 January 2023 entered into between Yangzhou Port Development Co., Ltd. (揚州港口開發有限公司), Jiangsu Kuanrui Logistics Trade Development Co., Ltd. (江蘇寬瑞物流貿易發展有限公司) and Yangzhou Jiuhao Electric Trading Co., Ltd. (揚州久好電器商貿有限公司) in relation to the sale and purchase of certain industrial land use rights and the buildings and ancillary facilities;

(3) The equity transfer agreement dated 17 January 2023 between Yangzhou Laihao Electronic Devices Trade Co., Ltd. (揚州來好電器商貿有限公司) and Beijing Xingyunliang Technology Co., Ltd. (北京星運良科技有限公司) in relation to the transfer of all the equity interests in Yangzhou Laitai Trade Group Co., Ltd. (揚州來泰商貿集團有限公司); and

(4) The conditional acquisition agareement dated 23 August 2022 entered into between the Company and a series of special purpose vehicles and Ms. Liu Shixiu in relation to sale of all the equities in Shengshang Entrepreneurial Services Co., Ltd.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Wong Yuen Ki, who is a manager of corporate services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. She possesses more than 10 years of experience in the company secretarial field. She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

(b) The registered office of the Company is situated at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205 of the Cayman Islands.

(c) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The English text of this circular shall prevail over its Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.hyjd.com/cn/ for a period of 14 days from the date of this circular:

(a) the Agency Agreement;

(b) the deed of non-competition dated 28 August 2023 entered into by Mr. Yuan Li as the covenantor in favour of the Company; and

(c) the consent letter from the Independent Financial Adviser, as referred to in the paragraph headed "EXPERT AND CONSENT" in this appendix II.

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 THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders (the "**Shareholder(s)**") of Qidian International Limited (the "**Company**") will be held at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC, on Friday, 10 November 2023 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

Ordinary Resolutions:

1. "**THAT**

   a. the agreement (the "**Agency Agreement**") dated 28 August 2023 and entered into between Shenzhen Qidian Education Technology Co., Ltd. (深圳奇點求學科技有限公司) ("**Shenzhen Co**") and Beijing Shengshang Entrepreneurial Technology Co., Ltd. (北京聖商創業科技有限公司) ("**Beijing Shengshang**") pursuant to which Shenzhen Co agreed to act as the agent for Beijing Shengshang in respect of the sales and promotion of its training courses and services; and

   b. any one of the directors of the Company (the "**Director(s)**") be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and take all such actions as he considers necessary, appropriate, desirable and expedient for the purpose of giving effect to or in connection with the Agency Agreement and the transaction contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Agency Agreement) as are, in the opinion of such Director, in the interest of the Company and its shareholders as a whole."

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

Yangzhou, PRC, 24 October 2023

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the circular of the Company dated 24 October 2023 shall have the same meanings when used in this notice.

2. Voting at the EGM will be taken by poll as required under the Listing Rules.

3. The register of members of the Company will be closed from Wednesday, 8 November 2023 to Friday, 10 November 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 November 2023.

4. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting of the Company. A proxy need not be a member of the Company.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

6. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

8. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

9. The English text of this notice of the EGM shall prevail over the Chinese text in case of inconsistency.

10. If a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the Company’s website at www.hyjd.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.

As at the date hereof, the executive Directors of the Company are Mr. Yuan Li, Mr. Xu Xinying and Mr. Zhuang Liangbao; the non-executive Director of the Company is Ms. Xu Honghong; and the independent non-executive Directors of the Company are Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi.