
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Qidian Guofeng Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to sell, dispose, acquire, purchase or subscribe for securities in the Company.



中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1280)

- (1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;
- (2) APPLICATION FOR WHITEWASH WAIVER;
- (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Takeovers Code
Independent Board Committee and the Listing Rules
Independent Board Committee and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular unless otherwise defined.

A letter from the Board is set out on pages 5 to 28 of this circular and a letter from the Takeovers Code Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages TCIBC-1 to TCIBC-2 of this circular, and a letter from the Listing Rules Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages LRIBC-1 to LRIBC-2 of this circular. A letter of advice from the Independent Financial Adviser to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-26 of this circular.

A notice convening the EGM to be held at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC on Tuesday, 21 May 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you intend to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions stated thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting 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 adjourned meeting thereof (as the case may be) should you so wish. In such event, the form of proxy shall be deemed to be revoked.

30 April 2024

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement dated 18 March 2024 (before trading hours) made by the Company in relation to the Subscription Agreement and the transactions contemplated thereunder including the Subscription, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital
“associate(s)”	has the meaning ascribed thereto under the Listing Rules or the Takeovers Code, as the context requires
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday in Hong Kong and a day on which typhoon signal no. 8 or above or a black rainstorm warning is hoisted at any time in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Qidian Guofeng Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1280)
“Completion”	the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened at 10:00 a.m. on Tuesday, 21 May 2024 at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate), the Whitewash Waiver and the Increase in Authorised Share Capital
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	proposed increase in the authorised share capital of the Company from US\$12,000,000 divided into 600,000,000 Shares of US\$0.02 each to US\$100,000,000 divided into 5,000,000,000 Shares of US\$0.02 each by the creation of an additional 4,400,000,000 new Shares
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Subscriber, its associates and any parties acting in concert with it; and (ii) any other Shareholders who are interested in or involved in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) (if any)
“Independent Third Party”	an individual or a company who or which, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Last Trading Day”	15 March 2024, being the last day of trading of the Shares on the Stock Exchange preceding the signing of the Subscription Agreement
“Latest Practicable Date”	26 April 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Listing Rules Independent Board Committee”	an independent committee of the Board established which comprises all the independent non-executive Directors in compliance with the Listing Rules to advise the Independent Shareholders on the Subscription Agreement
“Loan Capitalisation”	conversion of approximately HK\$185.50 million in the outstanding principal amount of the Shareholder’s Loans into the share capital of the Company by applying such amount of the Shareholder’s Loans in payment of the Subscription Price for the Subscription Shares credited as fully paid to the Subscriber under the Subscription
“Long Stop Date”	30 June 2024, or such other date as the Company and the Subscriber may agree in writing
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loans”	a series of unsecured Shareholder’s loans due from the Company to the Subscriber bearing interest at the rate of 4.5% per annum with the repayment dates ranging from 13 January 2025 to 25 December 2026, of which the outstanding principal amount is approximately HK\$349.79 million and accrued interest amounted to approximately HK\$2.7 million as at the date of the Subscription Agreement
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issuance of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Noble Trade International Holdings Limited (聖行國際集團有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company, holding approximately 24.54% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 March 2024 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.35 per Subscription Share
“Subscription Shares”	530,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers (as amended, modified and supplemented from time to time)
“Takeovers Code Independent Board Committee”	an independent committee of the Board established which comprises all the non-executive Director and independent non-executive Directors who do not have any direct or indirect interests and are not involved in the Subscription and the Whitewash Waiver in compliance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Subscription Agreement and the Whitewash Waiver
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Whitewash Waiver”	the whitewash waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement
“%”	per cent

* *The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD



中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

Executive Directors:

Mr. Yuan Li (*Chairman*)

Mr. Xu Xinying (*Vice-chairman*)

Mr. Zhuang Liangbao

Non-executive Director:

Mr. Gu Changchao

Independent non-executive Directors:

Mr. Zhang Yihua

Mr. Chen Rui

Mr. 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

Head Office and Principal Place

of Business in Hong Kong:

5/F, Manulife Place,

348 Kwun Tong Road,

Kowloon, Hong Kong

30 April 2024

To the Shareholders

- (1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;**
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other matters, (i) further details of the Subscription Agreement and the transactions contemplated thereunder, including the Subscription, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of advice from the Takeovers Code Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) a letter of advice from the Listing Rules Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Takeovers

LETTER FROM THE BOARD

Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (v) financial information of the Group; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules and the Takeovers Code.

THE SHAREHOLDER'S LOANS

As at the date of the Subscription Agreement, the Company is indebted to the Subscriber in the amount of approximately HK\$352.49 million under the Shareholder's Loans (including the outstanding principal amount and accrued interest) with repayment dates ranging from 13 January 2025 to 25 December 2026. As at the Latest Practicable Date, the outstanding balance (including principal amount and accrued interest) under the Shareholder's Loans amount to HK\$356,569,561.32. The Shareholder's Loans are unsecured and bear interest at the rate of 4.5% per annum. The Shareholder's Loans were provided to the Group by the Subscriber for the purpose of the Group's general working capital requirement. The breakdown of the Shareholder's Loans including the original principal amount, the drawdown date, the maturity date, the interest rate and the actual use of each of the Shareholder's Loans are as follows:

No.	Loan agreement	Principal amount	Drawdown dates	Maturity dates	Interest rate	Actual use of loan
1.	HK\$20 million loan agreement dated 14 January 2022 A notice dated 20 August 2022 for extension of such loan	HK\$20 million	14 January 2022 (HK\$10 million) 18 January 2022 (HK\$10 million)	13 January 2023 and further extended to 13 January 2025	4.5%	Payment to professional parties and general working capital
2.	HK\$5 million loan agreement dated 14 October 2022	HK\$5 million	18 October 2022	17 October 2025	4.5%	Payment to professional parties and general working capital
3.	HK\$5 million loan agreement dated 27 February 2023	HK\$5 million	27 February 2023	26 February 2026	4.5%	Repayment of existing bonds
4.	HK\$4.5 million loan agreement dated 14 March 2023	HK\$4.5 million	14 March 2023	13 March 2026	4.5%	Repayment of existing bonds

LETTER FROM THE BOARD

No.	Loan agreement	Principal amount	Drawdown dates	Maturity dates	Interest rate	Actual use of loan
5.	HK\$5 million loan agreement dated 29 October 2023	HK\$5 million	30 October 2023	29 October 2026	4.5%	Payment to professional parties and general working capital
6.	HK\$12.22 million loan agreement dated 18 December 2023	HK\$12.22 million	18 December 2023	17 December 2026	4.5%	General working capital
7.	US\$26 million loan agreement dated 13 December 2023	US\$26 million	19 December 2023 (US\$2 million)	21 December 2026	4.5%	Repayment of loans provided by Beijing Shengshang Entrepreneurial Technology Co., Ltd.* (北京聖商創業科技有限公司) (“Beijing Shengshang”)
			20 December 2023 (US\$9 million)			
			21 December 2023 (US\$2.65 million and 0.7 million)			
			22 December 2023 (US\$11.65 million)			
8.	HK\$1 million loan agreement dated 20 December 2023	HK\$1 million	20 December 2023	19 December 2026	4.5%	Payment to professional parties and general working capital
9.	HK\$212 million loan agreement dated 26 December 2023	HK\$212 million	27 December 2023 (HK\$100 million)	25 December 2026	4.5%	Repayment of loan provided by Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司)
			28 December 2023 (HK\$62 million and HK\$50 million)			

The order of capitalisation of the Shareholder’s Loans under the Loan Capitalisation will be determined according to the maturity dates of the relevant Shareholder’s Loans.

The Company has not previously published any announcement or circular in relation to the Shareholder’s Loans. The Shareholder’s Loans, while provided by the Subscriber, a substantial shareholder, were provided on normal commercial terms or better and were not secured by the assets of the Group. Therefore, the transactions contemplated under the Shareholder’s Loans were fully

LETTER FROM THE BOARD

exempt from Independent Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. Notwithstanding the foregoing, relevant disclosure in relation to the Shareholder's Loans has been made in the Company's annual report for the year ended 31 December 2022 and the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**"). The Board was of the view that the interest rates were at market rate on the following basis:

- (i) the difficulties experienced by the Company in securing a bank loan: the Company has made several efforts in obtaining bank loans. However, considering the financial condition of the Company and the asset-light business conducted by the Company, it was unlikely for the Company to be granted a sizeable bank borrowing; and
- (ii) interest rate by alternative financing: in 2015, the Company has placed bonds for a total amount of HK\$10,000,000 to certain third party individual investors at the interest rate of 6% per annum for eight years. Such bonds were due for repayment in 2023. Upon maturity of the bonds, the investors were unwilling to renew or subscribe for additional bonds even though a higher interest rate was offered by the Company.

The Company and the Subscriber have been in negotiations and discussions in relation to the Subscription and the Loan Capitalisation over the past two months prior to signing the Subscription Agreement and intended to sign the Subscription Agreement as soon as possible. In light of the prohibitions on the Directors to deal in the securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results as stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules, the Company intended to sign the Subscription Agreement as soon as possible upon publication of the annual results for the year ended 31 December 2023 ("**2023 Annual Results**"). As the 2023 Annual Results was published on 17 March 2024, the Company entered into the Subscription Agreement with the Subscriber at the earliest time possible, i.e. on 18 March 2024 before trading hours. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 530,000,000 Subscription Shares at the Subscription Price of HK\$0.35 per Subscription Share for a total consideration of HK\$185.50 million, which shall be satisfied by way of offsetting HK\$185.50 million in the outstanding principal amount of the Shareholder's Loans. Upon Completion, HK\$185.50 million in the outstanding principal amount of the Shareholder's Loans shall be deemed to have been fully repaid. The remaining balance of the Shareholder's Loans, including any interest accrued under the Shareholder's Loans shall be approximately HK\$166.69 million and HK\$172.59 million as at the date of the Subscription Agreement and the Latest Practicable Date, respectively.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below.

- Date:** 18 March 2024
- Parties:** (a) the Company
(b) the Subscriber

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Subscriber is a substantial shareholder and thus a connected person of the Company.

Total Consideration:	HK\$185.50 million
Subscription Price per Subscription Share:	HK\$0.35
Par Value of the Subscription Shares:	US\$10,600,000, with a par value of US\$0.02 each

The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 530,000,000 Subscription Shares at the Subscription Price of HK\$0.35 per Subscription Share.

The Subscription Shares represent approximately (a) 201.42% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) 66.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after Completion assuming there is no change in the issued share capital of the Company from the date of the Subscription Agreement and up to Completion other than the issue of the Subscription Shares. The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

When determining the number of Subscription Shares, the Company and the Subscriber have taken into account the public float requirement under Rule 8.08 of the Listing Rules and the amount of Shareholder's Loans. Accordingly, for the purpose of maximising the capitalisation of the Shareholder's Loans, the Company intends to issue the highest possible number of Subscription Shares while ensuring that the interest held by the Subscriber does not exceed 75%.

Although the Subscription will result in significant dilution of the interest held by other existing Shareholders in the Company, the Directors believe that the Subscription will have a positive impact on the financial condition of the Company because:

- (i) upon Completion, approximately HK\$185.50 million of the outstanding Shareholder's Loans will be settled and it is expected that the Company may save up to approximately HK\$8,347,500 of the interest payment each year (which is calculated based on the interest rate per annum of 4.5% multiplied by HK\$185.50 million (being the amount of the Loan Capitalisation)) if the Subscription materialised;
- (ii) the Group has a high gearing ratio of 232.7% and 339.8% as at 31 December 2023 and 30 June 2023, respectively. The net liabilities of the Company amounted to approximately RMB416,102,000 and RMB384,292,000 as at 31 December 2023 and 30 June 2023, respectively. The challenging financial condition of the Company restricts its ability and makes it infeasible for the Company to obtain bank borrowings. Subsequent to Completion, the remaining outstanding amount of the Shareholder's Loans will be HK\$166.99 million as at the date of the Subscription Agreement. Although the Subscription cannot completely

LETTER FROM THE BOARD

resolve the issue of high gearing ratio, it will lower the high gearing ratio from 232.7% as at 31 December 2023 to 178.24%. With a much lower gearing ratio and net liabilities, it is expected that the Company may have more fundraising opportunities following the Subscription; and

- (iii) the Company has commenced negotiations and discussions with the Subscriber in relation to the Subscription since late January 2024, at the time when the auditing work for the 2023 Annual Results just commenced. The Company mainly considered the unaudited financial statements of the Company for the period ended 30 June 2023 when entering into the Subscription Agreement with the Subscriber. Despite the foregoing, the 2023 Annual Results has not demonstrated that there exists any material change to the financial performance of the Company because, while the revenue and profitability of the Company improved in 2023, the amount of liabilities of the Company slightly increased and the gearing ratio remained comparatively high at 232.7%. Based on the above, the Directors are of the view that the Subscription and Loan Capitalisation are in the interest of the Company and its Shareholders as a whole.

Ranking

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with the Shares in issue.

The Subscription Price

The Subscription Price of HK\$0.35 per Subscription Share represents, respectively:

- (a) a discount of approximately 31.37% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 31.37% to the closing price of HK\$0.51 as at the Latest Practicable Date;
- (c) a discount of approximately 31.64% to the average closing price of HK\$0.512 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (d) a discount of approximately 30.97% to the average closing price of HK\$0.507 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (e) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.14%, represented by the theoretical diluted price of approximately HK\$0.40 per Share as compared to the benchmarked price of approximately HK\$0.512 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of

LETTER FROM THE BOARD

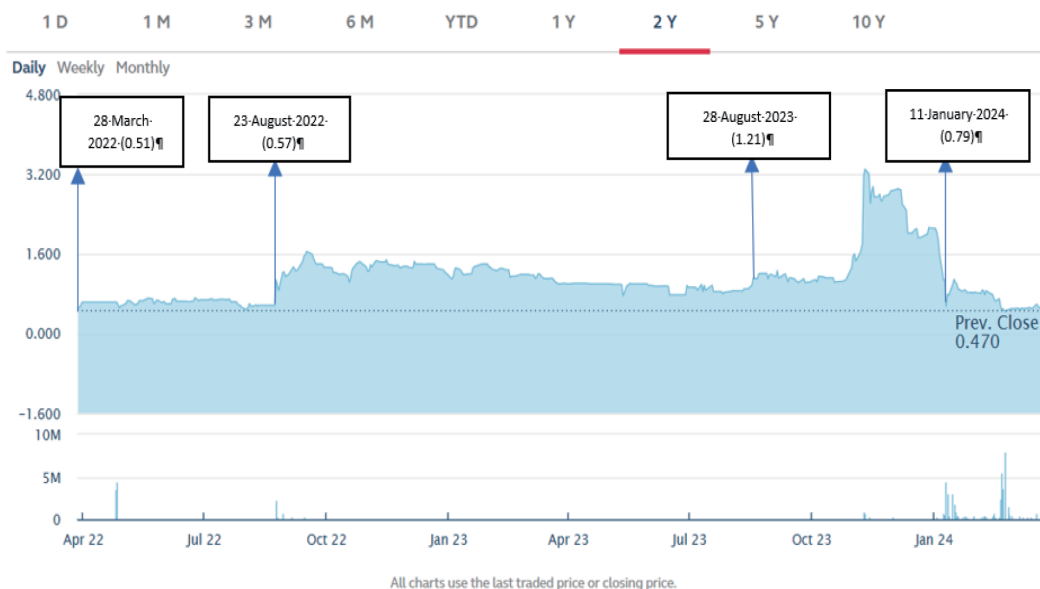
- (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK\$0.51 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.512 per Share);
- (f) a theoretical dilution effect of approximately 20.96%, represented by the theoretical diluted price of approximately HK\$0.40 per Share as compared to the closing price as at the Latest Practicable Date of HK\$0.51 per Share; and
- (g) a premium of HK\$2.44 as compared to the audited net liabilities per Share of approximately HK\$2.09 (equivalent to approximately RMB1.90 at the exchange rate of HK\$1=RMB0.90622) as at 31 December 2023 based on the 219,279,744 Shares in issue as at 31 December 2023.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the following:

- (i) the outstanding amount under the Shareholder's Loans;
- (ii) the financial position of the Group, having considered the net liabilities of the Group of approximately RMB416,102,000 as at 31 December 2023;
- (iii) the prevailing market price of the Shares, having considered the historical closing price range during the past two years prior to the signing of the Subscription Agreement (the "**Review Period**"), with the lowest closing price of HK\$0.45 per Share (recorded on 23 February 2024) and the highest closing price of HK\$3.3 per Share (recorded on 10 November 2023). During the Review Period, the closing prices of the Shares remained at slightly above HK\$0.5 per Share for the past two years (commencing from 1 January 2022 to the Latest Practicable Date) other than two periods when (i) the Company published an announcement on 23 August 2022 in relation to a very substantial acquisition involving a reverse takeover (the "**RTO**"); and (ii) the Company published an announcement on 28 August 2023 and circular on 24 October 2023 in relation to a continuing connected transaction pursuant to which the Group agreed to act as the agent for Beijing Shengshang in respect of the sales and promotion of its training courses and services (the "**CCT**"). Commencing from 28 March 2022 until the RTO was announced, the closing prices of the Shares hovered at around HK\$0.5. After the announcement of the RTO, the closing prices of the Shares surged from HK\$0.57 as at 23 August 2022 to the highest of HK\$1.65. Since the announcement of the CCT, under the positive impact brought by the new business, the closing prices of the Shares further soared to the highest of HK\$3.3 on 10 November 2023. Both transactions resulted in an increase in the demand of the Shares as they signify growth opportunities and the diversification of revenue stream of the Company by bringing in new business of micro-, small- and medium-sized enterprises and individual business entrepreneurship training business, which demonstrates strong growth prospect. Please see

LETTER FROM THE BOARD

below a graph showing the movement of the closing prices of the Shares. The Board is of the view that the Subscription Price is fair and reasonable compared to the historical prices of the Shares;



- (iv) the valuation of home appliance business in the retail industry, having considered the significant disparity between revenue and the market value of the industry leaders. This is based on analysis of comparable companies principally engaged in retail of home appliances.

An exhaustive list of two comparable companies (the “**Comparable Companies**”) has been identified, which (i) are principally engaged in retail of home appliances, which accounts for more than 50% of revenue; and (ii) have their shares listed on Main Board of the Stock Exchange. Given the liquor business and the education-related training business (i) just started in 2023 and have not reached a stage of stable development; (ii) contributed to less than 50% of the Group’s revenue for the year ended 31 December 2023 (“**FY2023**”); and (iii) had incurred segment loss for FY2023, companies in the liquor business and the education-related training business were not selected as Comparable Companies.

Price-to-earnings, price-to-book and price-to-sale ratios are the three most commonly used benchmarks in valuing a company. Given that (i) the Group was loss-making for FY2023 after deducting the one-off gain on disposal of the subsidiary; (ii) the Group was in net liabilities position as at 31 December 2023; and (iii) price-to-sale ratio (“**P/S**”) is appropriate for valuing companies which have stable revenue such as retailers offering general merchandise, P/S is considered more appropriate for valuing the Group as compared to price-to-earnings and price-to-book ratios.

LETTER FROM THE BOARD

The following table sets out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Day (HK\$ million)	P/S on the Last Trading Day
YOHO Group Holdings Limited (2347)	Sales of consumer electronics and home appliances and lifestyle products	330.00	0.41
Gome Retail Holdings Limited (493) ("Gome Retail")	Operating and managing of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full category of online sales network in the PRC through self-operated and platform models	955.25	0.15
	Average		0.28
	The Company	134.20	0.26^(Note)

Source: website of the Stock Exchange

Note: The implied P/S of the Company is calculated based on the Subscription Price and the Group's revenue for FY2023

As shown above, the P/S of the Comparable Companies ranged from approximately 0.15 times to approximately 0.41 times with an average P/S of approximately 0.28 times on the Last Trading Day. The implied P/S of the Company of approximately 0.26 times is generally close to the average P/S of the Comparable Companies. In addition, Gome Retail, the leading home appliance retailer in the PRC, has a larger market capitalisation than the Company, while its P/S as at the Last Trading Day was only approximately 0.15 times and lower than the implied P/S of the Company, which is testament to the considerable disparity between revenue and market capitalisation of companies in the home appliance business in the retail industry.

The Subscription Price was set to align with the Company's prevailing market valuation, making it more attractive to the Subscriber. The subscription price plays a crucial role in making the Company more attractive to potential investors. When the price is high, it may

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not be appealing for debt holders to convert their debt into equity in the Company. However, the Subscription Price, which offers a discount to the prevailing market price, appears to be attractive to investors such as the Subscriber which has strong confidence in the long-term development of the Company;

- (v) the recent market conditions where the Hang Seng Index experienced significant decline, the impact of which are two-fold: it prompted the Company to offer a lower price for the Subscription which is benchmarked against the prevailing trading price of the Shares; and it also made it difficult for the Company to pursue sizeable equity financing alternatives in the stock market having considered the relatively low average daily trading volume in the Shares. Other than two placings under general mandate in 2021 and 2024 respectively, the Company also completed the allotment and issue of 36,546,624 Shares at the price of HK\$1.14 per Share for loan capitalisation on 2 June 2021 under specific mandate. Save as disclosed, the Company has no other transaction which involves a sizeable equity financing in the stock market. It is not an uncommon market practice that the subscription price represents a discount to the closing share price prior to the Last Trading Day for loan capitalisation. The discount of the Subscription Price could encourage creditors to settle the loan by capitalisation. Compared to eight transactions (the “**Comparable Transactions**”) which involved subscription of new shares for debt capitalisation which (i) were announced by companies listed on the Main Board of the Stock Exchange for the period from 1 March 2023 up to the Last Trading Day (being approximately one year); and (ii) have been completed as at the Last Trading Day (details of which are set out from pages IFA-18 to IFA-19 of the letter of the Independent Financial Adviser), the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the average closing prices of the Shares for the last five trading days and the last ten trading days prior to the date of the Subscription Agreement are within the ranges of those of the Comparable Transactions. Similar to other small market capitalisation stocks traded on the Stock Exchange, the Company’s liquidity is generally low. In common with many other markets, secondary market trading and liquidity are skewed towards the largest stocks. There is a general lack of investor demand in small-cap stocks. Another reason for the recent underperformance of the Hong Kong market was due to sluggish macroeconomic factors. In light of the overall negative market sentiment, the Company sought to stimulate interest and participation of the Subscriber, who may see value in acquiring shares at a more affordable cost by offering Shares at a discounted price. Although the shareholding percentages of the Subscriber and the public Shareholders will shift after completion of the Subscription, the number of Shares held by the Shareholders remains the same. Therefore, the supply and demand of Shares among Shareholders other than the Subscriber remains the same and the Subscription will not lead to the effect of draining the public float. With the Loan Capitalisation by which the Subscriber significantly increases its stake in the Company, it signals the Subscriber’s confidence in the Company’s prospects. This can generate positive sentiment and attract investors’ attention, as they may perceive the Subscriber’s actions as a vote of confidence in the Company’s future performance. Investors may anticipate potential upside if the Subscriber will bring in positive developments for the Company. They may expect that the connected person’s increased involvement and influence will drive strategic decisions, enhance growth prospects, or unlock value, thereby potentially benefiting existing Shareholders; and

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- (vi) the Directors have been in negotiation and discussion with the Subscriber to enter into the Subscription Agreement. To seek best available terms for the Subscription Agreement, the Directors have sought advice from the Independent Financial Adviser and have conducted a comparative analysis of price discount of subscription price for loan capitalisation in the market and are convinced that (i) it is not uncommon market practice to have a discount on the Subscription Price; (ii) the current Subscription Price, although being at a discount, is within the range of Comparable Transactions. Based on the above and in view of (i) the imminent need for additional funding to increase liquidity in support of the Group's existing operation in principal business and expand its liquor business and other business opportunities; (ii) the Group's high gearing ratio and the net asset liabilities; and (iii) the prevailing volatile market conditions, investor's generally gloomy sentiment and investors becoming more cautious on their investment risk, which makes it more difficult for the Company to ascertain sufficient demand for the Shares with potential investors other than the Subscriber, the Board is of the view that the terms for the Subscription is the most favourable that the Company can attain under current conditions.

Independent Financial Adviser's Opinion

The Independent Financial Adviser considered the Subscription Price being fair and reasonable so far as the Independent Shareholders are concerned and the potential dilution effect on the shareholding interests of the existing minority Shareholders being acceptable. For details of the Independent Financial Adviser's analysis, please refer to the letter of the Independent Financial Adviser set out in the Circular.

The Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee have undertaken the following actions to assess the reasonableness of the advice from the Independent Financial Adviser: assessment of the Independent Financial Adviser's experiences; obtaining information on the Independent Financial Adviser's track records; inquiry on the Independent Financial Adviser's current and prior relationship with the parties involved in the Subscription and the Loan Capitalisation; review of the terms of the Independent Financial Adviser's engagement; and discussion with the Independent Financial Adviser regarding their analysis to provide the opinion.

Mr. Danny Leung, the signor of the letter of the Independent Financial Adviser, is a licensed person and a responsible officer of Rainbow Capital registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO with over 10 years of experience in the corporate finance industry.

In assessing the Independent Financial Adviser's experiences in similar cases, the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee have obtained information on the Independent Financial Adviser's track records acting as the independent financial adviser for a wide range of corporate action of Hong Kong listed companies. As such, the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee are of the view that the Independent Financial Adviser is qualified, experienced and competent in performing its duties and providing a reliable opinion in respect of the transactions contemplated under the Subscription Agreement.

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The Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee have also enquired with the Independent Financial Adviser as to its independence from the Company and the Subscriber and were given to understand that the Independent Financial Adviser is an Independent Third Party of the Company, the Subscriber and their respective connected persons. The Independent Financial Adviser also confirmed that it was not aware of any relationship or interest between itself and the Company or any other parties that would reasonably be considered to affect its independence to act as an independent financial adviser for the Company. The Independent Financial Adviser confirmed that apart from normal professional fees payable to it in connection with its engagement for the opinion, no arrangements exist whereby it will receive any fee or benefit from the Company and its associates.

Through discussion with the Independent Financial Adviser, the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee understand that data and information about the comparable companies and transactions were mostly obtained from the database subscribed by the Independent Financial Adviser. As confirmed by the Independent Financial Adviser, these comparable companies and transactions represent an exhaustive list to the best of their knowledge. Accordingly, the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee considered that the selection of the comparable companies used in its letter is fair and reasonable.

Conditions of the Subscription

The Subscription is conditional upon satisfaction or (if applicable) waiver of the following conditions:

- (a) the passing by the Board of all necessary resolutions approving the Subscription Agreement, the Loan Capitalisation, the Subscription, the Specific Mandate, the Whitewash Waiver, the Increase in Authorised Share Capital and the transactions contemplated hereunder;
- (b) the passing by the Shareholders of resolution approving the Increase in Authorised Share Capital and by the Independent Shareholders, as required under the Listing Rules and the Takeovers Code, of all necessary resolutions at the EGM approving the Subscription Agreement, the Loan Capitalisation, the Subscription, the Specific Mandate, the Whitewash Waiver and the transactions contemplated hereunder;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Subscription Shares and such approval and permission having not subsequently been revoked prior to the commencement of dealings in the Subscription Shares on the Stock Exchange;
- (d) the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including the Stock Exchange and the SFC) which is applicable to the Company;

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- (e) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (f) the warranties and representations given by the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect as at the Completion Date; and
- (g) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained.

In respect of condition (g), as at the Latest Practicable Date, save for the approvals set out in conditions (a), (b) and (c), the Company is not aware of other approvals or consents that are required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, other than condition (a) in respect of the Board's approval, none of the above conditions has been fulfilled or waived. Save that the Subscriber has the right to waive condition (f) in respect of warranties and representations given by the Company under the Subscription Agreement, none of the above conditions can be waived by any party to the Subscription Agreement. In particular, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscription will not proceed.

Completion of the Subscription

Completion shall take place within 10 Business Days (or such other date and time as may be agreed by the Company and the Subscriber) upon the satisfaction or (if applicable) waiver of the conditions under the Subscription Agreement, upon which the Company shall allot and issue the Subscription Shares to the Subscriber.

Upon Completion, HK\$185.50 million in the outstanding principal amount of the Shareholder's Loans shall be deemed to have been fully repaid. The remaining balance of the Shareholder's Loans (including any interest accrued under the Shareholder's Loans) shall be approximately HK\$166.69 million and HK\$172.59 million as at the date of the Subscription Agreement and the Latest Practicable Date, respectively.

Termination of the Subscription Agreement

If the above-mentioned conditions are not fulfilled or waived (if applicable) by the Subscriber in writing on or before the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise, except that such termination shall not affect the then accrued rights and obligations of the parties.

SPECIFIC MANDATE

The allotment and issue of the Subscription Shares are subject to approval by the Independent Shareholders at the EGM to be convened and held. Resolution(s) will be proposed at the EGM to approve, among other things, the Specific Mandate to allot and issue the Subscription Shares under the Subscription Agreement.

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INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability. The Company is principally engaged in investment holding. The Group is mainly engaged in the retail of household appliance, mobile phones, computers, import and general merchandise and provision of maintenance and installation services, the liquor business and education-related training business in the PRC.

The following is a summary of the key financial data of the Group for each of the six months ended 30 June 2022 and 30 June 2023 based on the unaudited consolidated financial statements and each of the years ended 31 December 2023 and 31 December 2022 based on the audited consolidated financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards:

	For the six months ended		For the year ended	
	30 June 2023 <i>(Unaudited)</i> RMB'000	30 June 2022 <i>(Unaudited)</i> RMB'000	31 December 2023 <i>(Audited)</i> RMB'000	31 December 2022 <i>(Audited)</i> RMB'000
Revenue	140,737	128,452	319,813	262,348
Profit/(Loss) before taxation	85,556	(32,472)	53,789	(137,514)
Profit/(Loss) after taxation	85,520	(32,466)	53,710	(137,825)

As at 31 December 2023, the audited consolidated net liabilities of the Group was approximately RMB416,102,000.

INFORMATION OF THE SUBSCRIBER

The Subscriber is Noble Trade International Holdings Limited (聖行國際集團有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company, holding 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company as at the Latest Practicable Date. The sole director of the Subscriber is Mr. Yuan Li. The principal activity of the Subscriber is investment holding. The Subscriber is wholly-owned by Mogen Ltd. (“Mogen”) as at the Latest Practicable Date. Mogen is owned as to (i) 38.48% by Greatssjy Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021, which is wholly owned by Mr. Yuan Li, who is an executive Director and the sole director of Greatssjy Co., Ltd.; (ii) 14.06% by Xu Xinying Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021, which is wholly owned by Mr. Xu Xinying, who is an executive Director; (iii) 22.93% by Energystone Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021, which is wholly owned by Mr. Yuan Yang (袁煬), brother of Mr. Yuan Li; (iv) 2.96% by Zhuanglb Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021, which is wholly owned by Mr. Zhuang Liangbao, an executive Director; (v) 20.8% by Dopoint Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021,

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which is wholly owned by Ms. Dong Xiujuan (董秀娟), who is an Independent Third Party; and (vi) 0.77% by Top Vanguard Linkage Innotech Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021, which is wholly owned by Mr. Wang Yue (王玥), an Independent Third Party.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AGREEMENT

As mentioned in the 2023 Interim Report, the Group commenced the operation of Guofeng Maotai-flavor liquor business alongside the retail of home appliances. The liquor industry saw a structural recovery in the first half of 2023 and it presents a rational growing trend. The Company also commenced a new business in education related training in 2023. Despite the segment loss incurred by liquor business and education related training business, the Board is of the view such businesses are of great prospect and that expansion of such businesses will diversify the revenue stream, enhance the profitability of the Group and is in the interests of the Company and its Shareholders based on the following reasons: (i) as the Company just commenced liquor and training businesses from year 2023 and there is still a lack of scale effect, it will result in higher per-unit cost, limited cost spreading, marketing challenges and limitation in course offerings, which will collectively impact profitability of the new businesses. The Board is of the view that such loss-making situation can be eliminated with the increased sales volume; (ii) there is strong market demand for liquor business and education related training business in the PRC. The Maotai-flavor liquor maintains a high speed of growth in recent years despite the weakening macroenvironment; (iii) the Company as a home appliance chain retailer in third- and fourth- tier cities, has strong sales channels which can be shared with the promotion and sales of liquor business, and thus achieving synergies between different business segments within the Group as well as shared resources, expertise and operational capabilities; and (iv) the consumer goods industry such as home appliances is facing greater challenges. In order to mitigate the risk for reliance on a single market, the Company will need to explore different business segments. Meanwhile, the Company has also been exploring various opportunities aligning with the strategy to build itself as a diversified retail sales enterprise. Therefore, there is an imminent need for additional funding to increase liquidity to support the Group's existing operation in principal business and expand its liquor business and other future retail opportunities. The Company's imminent need for additional funding was not directly derived from the pressure to repay the Shareholder's Loans (repayment dates of Shareholder's Loans are from 13 January 2025 to 25 December 2026), but consequential to the pressing need to increase liquidity in support of the Group's existing operation in principal business and expand its liquor business and other future retail opportunities and therefore are in an imminent position to improve its gearing ratio and net liabilities. Although the Company cannot receive any cash inflow from the Subscription and the improvement in gearing ratio and net liabilities does not necessarily mean the Company can conduct equity or other fundraising, the Board believes that the liabilities incurred by the Company cannot be fully resolved by a single fundraising activity. However, it is expected that the improved gearing ratio and reduced net liabilities of the Company will attract investors and enhance investor confidence in the Company, which will in turn create fundraising opportunities for the Company.

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For this purpose, the Company has considered various financing methods such as bank borrowings and equity financing. However, the Group has a high gearing ratio of 232.7% as at 31 December 2023 and 339.8% as at 30 June 2023, respectively. With only RMB33.3 million in cash position as at 30 June 2023 (the latest financial statements which the Company took into consideration when negotiating with the Subscriber), the Group itself has insufficient financial resources to settle all outstanding loans, including the Shareholder's Loans owed by the Company to the Subscriber, who is a connected person. As at 31 December 2023, the Company has obtained a loan from Guangdong Shengrong Financial Holding Co., Ltd.* (廣東聖融金服控股有限公司) with a principal amount of RMB29,300,000 at the interest rate of 5%; and a loan from Wu Jipeng (吳繼朋) with a principal amount of HK\$6,000,000 at the interest rate of 5.5%. Both lenders are Independent Third Parties. Save as otherwise disclosed, the Company has made no other attempt to borrow from individuals and financial institutions. In respect of bank borrowings, in light of the financial position, in particular, the high gearing ratio of the Group, it is infeasible, practically difficult and time-consuming for the Company to obtain additional bank borrowings at acceptable finance cost with affordable terms and conditions. The Company has made several attempts to secure loans and financing from banks in early 2024. According to the previous communications with several banks, the banks would usually take into account the following for granting of loans, (i) the gearing ratio of the Company; (ii) the revenue of the Company; and (iii) whether the Company is able to provide collateral. As (i) the performance of the principal business of the Company in relation to sales of home appliances is not satisfactory; and (ii) the Company has incurred losses and net liabilities for the past years which has not been improved in the latest financial year set out in the 2023 Annual Results, the Company failed to meet the banks' credit requirements and there were no banks available for provision of loans. Banks did not propose any interest rate for the Company's consideration. However, with reference to the prevailing market rate for loan interest in the PRC, the current interest rate for bank loans is expected to be lower than the interest rate under the Shareholder's Loans. The Company was unable to secure bank borrowings due to its high gearing ratio and net liability financial condition. If the Subscription materialised, it will help optimise the gearing ratio of the Company and the net liabilities of the Company will be materially reduced. Although the Company may not get sizeable bank loans immediately following the Loan Capitalisation, the improved gearing ratio and reduced net liabilities of the Company will attract investors and boost the confidence of investors towards the Company, which in turn will create fundraising opportunities for the Company. The Company has not specifically discussed with the banks on the possibility of bank borrowings after completion of the Subscription. Based on previous communications with the banks on bank borrowings, the Directors are of the view that bank loans may still not be available after completion of the Subscription since, although the Company's debt-to-asset ratio will be optimised, it still fails to meet the bank's requirements on gearing ratio and collateral. The Company's sale of home appliances business is unable to provide collateral to secure the Company's bank financing due to its high debt-to-asset ratio. Meanwhile, new business segments in the liquor and training industries have not yet been able to provide collateral for the Company's bank financing. However, the Company is optimistic about the future of new business segments in the liquor and training industries. Assuming the liquor and training businesses continue to operate successfully for the next two years and maintain a debt-to-asset ratio below 75%, there is a possibility of obtaining a small-scale loan from the bank. It is noted that the banks may still grant loans if the Company is not able to provide collateral. Meanwhile, the Company has also discussed with its major creditors to extend the offer of converting the existing loans to Shares at discounted price to major creditors. Other than the Subscriber, none of the Company's major creditors has taken the offer.

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In terms of equity financing, the Company has been proactively exploring opportunities in this regard. Other than the Loan Capitalisation, the Company has attempted to seek third party investors by issuing shares under general mandates twice in 2021 and 2024 respectively in the past three years, which however cannot effectively alleviate the funding difficulties of the Group. Reference is made to the announcements of the Company dated 7 April 2021 and 2 June 2021 in relation to the first subscription under general mandate, upon completion of which 36,546,624 Shares have been allotted and issued to the Subscriber. The gross proceeds from such subscription amounted to HK\$928,984.36 and the net proceeds amounted to HK\$690,984.36. Reference is also made to the announcements of the Company dated 14 January 2024 and 26 January 2024 in relation to the second subscription under general mandate (the “**Previous Placings**”), upon completion of which 43,855,948 Shares have been allotted and issued to Yayue Longte Co., Limited. The gross proceeds from such subscription amounted to HK\$30,260,604.12 and the net proceeds amounted to HK\$29,960,604.12. In addition, the management of the Company has had preliminary contacts and discussions with potential investors, who expressed interest in the Company on the condition that the financial performance of the Company will improve (i.e. lower gearing ratio of the Company and development of new liquor and training business). As the gearing ratio in the 2023 Annual Results is still high and the new businesses still incurred loss due to lack of scale effect, the Company cannot meet the expectation of potential investors based on the 2023 Annual Results. The proceeds of the Previous Placings amounted to HK\$29,960,604.12. Meanwhile, the Group currently has a high gearing ratio of 232.7% as at 31 December 2023. As an illustration, if the Company intends to settle the Shareholder’s Loans and raise HK\$185.50 million from the subscriptions under general mandate (assuming the proceeds were the same as those of the Previous Placings), it has to complete six rounds of subscription under general mandate for at least six years (assuming that the maximum number of shares under the general mandate is not refreshed and there is no subscription under specific mandate). The Subscription, in comparison with the Previous Placings, can expedite the resolution of the Company’s financial difficulties. The Company has explored the possibilities of other equity financing in late 2023, including but not limited to rights issue etc., which however have not materialised mainly due to the unfavourable market conditions and the financial conditions of the Company. Equity financing involves identification of suitable underwriters, placing agents or placees, which may be time consuming and less cost effective. Under the current volatile market condition and in light of the financial position of the Company which may not be appealing to the market, it is also difficult to ascertain market demand and there is uncertainty in successful equity financing. Furthermore, rights issue may also subject to underwriting uncertainty and market risks. They also tend to need relatively lengthy documentation work and higher transaction costs such as underwriting commission and associated documentation and other professional fees. Among all the options, the Loan Capitalisation appears to be the only and the most suitable way for the Company to substantially lower its high gearing ratio and improve the net liabilities.

Although the Company currently does not have any concrete fundraising plans, the Company has been and is still seeking investors and alternative fund raising activities including but not limited to subscription under general mandate or specific mandate under favourable circumstances.

Reference is also made to the positive profit alert announcement of the Company dated 26 February 2024 and the results announcement of the Company dated 17 March 2024 for the year ended 31 December 2023. Although the Company has recorded an approximately 139.1% increase in profit for the year ended 31 December 2023 as compared with that for the year ended 31 December 2022, it is not an indicator of an improved business and financial performance of the Company. The

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improvement in operating profit and cash position was mainly attributable to the disposal of the entire equity interest in Yangzhou Laitai Commerce Group Co., Ltd.* (揚州來泰商貿集團有限公司) (the “Disposal”). Following the Disposal, the Company would be able to dispose the net liabilities incurred by Yangzhou Laitai Commerce Group Co., Ltd. of RMB105,088,000. The new businesses generated additional revenue for the Company, but the associated costs outweighed the revenue, resulting in increased losses due to lack of scale effect at the current stage where it has not yet achieved the anticipated cost efficiencies.

Taking into account of the above, the Subscription and the Loan Capitalisation would be in the interest of the Company, having considered that: (i) the Subscriber has expressed its willingness to capitalise the Shareholder’s Loans and increased its equity investment in the Company while the Subscription Price appeared to be attractive for the Subscriber, which reflects the Subscriber’s confidence in the Group’s future business performance and the continuing support of the Subscriber would be beneficial to the long term business development of the Group; (ii) the Loan Capitalisation will significantly release the Company from the pressure to satisfy the outstanding Shareholder’s Loans and help ease the interest burden of the Company under the Shareholder’s Loans; (iii) HK\$185.50 million of the outstanding principal amount under the Shareholder’s Loans will be settled upon the issue of the Subscription Shares without requiring any cash outflow on the Company (save for settling the professional fees and related expenses for the Subscription which amount to approximately HK\$1.23 million, representing approximately 0.66% of the aggregate Subscription Price); (iv) upon Completion, the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company, which will enlarge the capital base of the Company and will in turn reduce the gearing ratio; and (v) hence, the Loan Capitalisation will improve the gearing ratio of the Group and enhance the financial position of the Group.

In light of (i) the indirect shareholding in the Subscriber held by each of the executive Directors (Mr. Yuan Li, Mr. Xu Xinying and Mr. Zhuang Liangbao) who have abstained from voting on the Board resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) other than the three executive Directors the Board only comprises of the non-executive Director and the independent non-executive Directors, the Board will defer its view on the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate, and the Whitewash Waiver to the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

Upon Completion, the Subscriber will become a controlling shareholder (as defined under the Listing Rules) of the Company. The Subscriber considers and confirms that:

- (a) it is intended that the Group will continue with its existing business following the Completion;
- (b) it shares the view of the Board as disclosed in the paragraph headed “Reasons for and benefits of the Subscription Agreement” above, in which it is mentioned that the Subscription is in the interests of the Group; and

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- (c) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

USE OF PROCEEDS

As the Subscription Price will be satisfied by way of offsetting part of the outstanding principal amount under the Shareholder's Loans owed by the Company to the Subscriber, there will be no remaining net proceeds from the allotment and issue of the Subscription Shares available to be utilised by the Company.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activity in the past twelve months from the Latest Practicable Date:

Date of announcement/ circular	Fund raising activities	Net Proceeds	Intended use of proceeds as announced	Actual use of proceeds
14 January 2024	The Company entered into a subscription agreement with Yayue Longte Co., Limited (亞悅隆特有限公司), pursuant to which 43,855,948 Shares were allotted to Yayue Longte Co., Limited as the subscriber at the subscription price of HK\$0.69 per Share	The proceeds amounted to approximately HK\$29,960,604.12	The proceeds are intended to be used for repayment of debts, general working capital of the Group and general corporate expenses	HK\$20 million has been applied for repayment of Company's outstanding debts and the remaining proceeds have not been utilised

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date.

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EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, other than the 263,135,692 Shares in issue, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the Completion assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion other than the issue of the Subscription Shares, are set out below:

	As at the Latest Practicable Date^(Note 1)		Immediately after the Completion^(Note 2)	
	<i>Number of Shares held</i>	%	<i>Number of Shares held</i>	%
The Subscriber and parties acting in concert with it				
The Subscriber ^(Note 3)	64,565,624	24.54	594,565,624	74.96
Other shareholder				
Yayue Longte Co., Limited (亞悅隆特有限公司) ^(Note 4, Note 5)	43,855,948	16.67	43,855,948	5.53
Other public Shareholders ^(Note 5)	154,714,120	58.79	154,714,120	19.51
Total issued Shares	263,135,692	100.00	793,135,692	100.00

Notes:

- (1) These percentages are calculated based on 263,135,692 Shares in issue as at the Latest Practicable Date.
- (2) These percentages are calculated based on 793,135,692 Shares in issue upon Completion (assuming there is no change to the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion other than the issue of the Subscription Shares).
- (3) For details of the ultimate shareholders of the Subscriber, please refer to the section headed “Information of the Subscriber” on page 11 of this circular.
- (4) Yayue Longte Co., Limited is wholly owned by Ms. Liu Yang. Yayue Longte Co., Limited and Ms. Liu Yang are not acting in concert with and have no relationship with the Subscriber and its beneficial owners.
- (5) Upon the Completion, Yayue Longte Co., Limited will hold less than 10% of the issued share capital of the Company and cease to be a substantial shareholder of the Company and therefore the Shares held by it will be counted towards public float.
- (6) The percentage figures as set out above are subject to rounding adjustments and any discrepancies in the table between totals and sums of amounts listed therein are due to rounding.

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APPLICATION FOR LISTING

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

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it holds 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and parties acting in concert with it will increase to approximately 74.96% of the issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate), at the EGM. If the Whitewash Waiver is approved by the Independent Shareholders and the Subscription proceeds to Completion, the shareholding of the Subscriber in the Company will exceed 50% upon the allotment and issue of the Subscription Shares. The Subscriber may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Subscriber, its associates, any parties acting in concert with it and the Shareholders who are involved in or interested in the Whitewash Waiver and/or the underlying transactions, will be required to abstain from voting in respect of the resolution(s) to approve the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) at the EGM. Other than the Subscriber, none of the Shareholders is involved in or interested in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the EGM.

The Executive is minded to grant the Whitewash Waiver, subject to the approval by at least 75% of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Subscription, the Loan Capitalisation and the grant of the Specific Mandate, respectively, at the EGM.

As at the Latest Practicable Date, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As described in the section headed “Information of the Subscriber” in this circular, the Subscriber is a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the announcement, reporting and Independent Shareholders’ approval requirements.

ESTABLISHMENT OF THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Takeovers Code Independent Board Committee

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising all the non-executive Director and independent non-executive Directors who have no direct or indirect interest and are not involved in the Whitewash Waiver and the underlying transactions, namely Mr. Gu Changchao, Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi) has been formed to advise the Independent Shareholders on whether the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) are fair and reasonable, and as to voting from the perspective of the Takeovers Code.

The Listing Rules Independent Board Committee

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi) has been formed to advise the Independent Shareholders on whether the Subscription by the Subscriber is fair and reasonable and as to voting from the perspective of Listing Rules.

Appointment of the Independent Financial Adviser

Rainbow Capital, a corporation licensed to carry out Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed with the approval of the Takeovers Code Independent Board Committee to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposed to increase the authorised share capital of the Company from US\$12,000,000 divided into 600,000,000 Shares of US\$0.02 each to US\$100,000,000 divided into 5,000,000,000 Shares of US\$0.02 each by the creation of an additional 4,400,000,000 new Shares, which shall rank equally in all respects with the existing Shares.

LETTER FROM THE BOARD

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM to consider and, if thought fit, approve the Increase in Authorised Share Capital. The approval of the Increase in Authorised Share Capital by the Shareholders at the EGM is a condition precedent to Completion.

EGM

The EGM will be held for the Shareholders to consider and, if thought fit, approve, among other things, (i) the Subscription Agreement (including the transactions contemplated thereunder and the Specific Mandate) by more than 50% of the votes cast by the Independent Shareholders by way of poll; (ii) the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders by way of poll; and (iii) Increase in Authorised Share Capital by more than 50% of the votes cast by the Shareholders by way of poll. A notice convening the EGM to be held at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC on Tuesday, 21 May 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.hyjd.com).

Whether or not Shareholders are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Sunday, 19 May 2024). To be effective, all forms of proxy must be lodged with Tricor Investor Services Limited before the deadline. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM if you so wish.

The Subscriber, its associates, any parties acting in concert with it and the Shareholders who are involved in or interested in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate), will be required to abstain from voting in respect of the resolution(s) to approve the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) at the EGM. Other than the Subscriber, none of the Shareholders is involved in or interested in the Whitewash Waiver and/or the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) and is required to abstain from voting in respect of the resolution(s) to approve the aforesaid matters at the EGM.

Recommendation

Your attention is drawn to (i) the letter of advice from the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the Whitewash Waiver.

LETTER FROM THE BOARD

In light of (i) the indirect shareholding in the Subscriber held by each of the executive Directors (Mr. Yuan Li, Mr. Xu Xinying and Mr. Zhuang Liangbao) who have abstained from voting on the Board resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) other than the three executive Directors the Board only comprises of the non-executive Director and the independent non-executive Directors, the Board will defer its view on the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate, and the Whitewash Waiver to the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee.

Members of the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee, to whom the Directors has deferred its view and whose view is set out in their respective letters set out in the appendices of this circular, believe that the Subscription Agreement is fair, reasonable and on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole; and considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares will be issued; (iv) the Subscription and the Whitewash Waiver; and (v) the proposed Increase in Authorised Share Capital are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole, accordingly, recommends that the Independent Shareholders vote in favour of the resolution(s) relating thereto at the EGM.

Additional Information

Your attention is drawn to the additional information contained in the appendices to this circular.

Since Completion is subject to the fulfilment or waiver (as applicable) of the conditions as set out in the Subscription Agreement, the Subscription may or may not proceed. In particular, completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

For and on behalf of
China Qidian Guofeng Holdings Limited
Yuan Li
Chairman of the Board

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of the Takeovers Code Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver for inclusion in this circular.



中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

30 April 2024

To the Independent Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;**
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Takeovers Code Independent Board Committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 30 April 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 5 to 28 and pages IFA-1 to IFA-26 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Subscription Agreement is not in the ordinary and usual course of business of the Company, the Subscription Agreement and the transactions contemplated thereunder including the Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend you to vote in favour of all the resolutions to be proposed at the EGM.

Yours faithfully,

Takeovers Code Independent Board Committee

Mr. Gu Changchao

*Non-executive
Director*

Mr. Zhang Yihua

*Independent non-
executive Director*

Mr. Chen Rui

*Independent non-
executive Director*

Mr. Fung Tak Choi

*Independent non-
executive Director*

LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of the Listing Rules Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver for inclusion in this circular.



中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

30 April 2024

To the Independent Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE;**
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Listing Rules Independent Board Committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 30 April 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 5 to 28 and pages IFA-1 to IFA-26 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription Agreement, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that although the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and have been entered into on normal commercial terms, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
Listing Rules Independent Board Committee

Mr. Zhang Yihua
*Independent non-
executive Directors*

Mr. Chen Rui
*Independent non-
executive Directors*

Mr. Fung Tak Choi
*Independent non-
executive Directors*

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders, in relation to the Subscription and the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

30 April 2024

*To: the Takeovers Code Independent Board Committee,
the Listing Rules Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO LOAN
CAPITALISATION INVOLVING SUBSCRIPTION OF
SHARES UNDER SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 April 2024 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

With reference to the Letter from the Board, on 18 March 2024 (before trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 530,000,000 new Shares as the Subscription Shares at the Subscription Price of HK\$0.35 per Subscription Share for a total consideration of HK\$185.50 million, which shall be satisfied by way of offsetting HK\$185.50 million in the outstanding principal amount of the Shareholder’s Loans. The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

As at the Latest Practicable Date, the Subscriber is a substantial shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to announcement, reporting and the Independent Shareholders’ approval requirements.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it holds 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and parties acting in concert with it will increase to approximately 74.96% of the issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate) at the EGM.

Independent Board Committee

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising all the non-executive Director and independent non-executive Directors who have no direct or indirect interest and are not involved in the Whitewash Waiver and the underlying transactions, namely Mr. Gu Changchao, Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi) has been formed to advise the Independent Shareholders on whether the Whitewash Waiver and the underlying transactions are fair and reasonable, and as to voting from the perspective of the Takeovers Code.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Subscription, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi) has been formed to advise the Independent Shareholders on whether the Subscription is fair and reasonable and as to voting from the perspective of Listing Rules.

We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in the same regard and such appointment has been approved by the Takeovers Code Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are not associated or connected financially or otherwise with the Company, the Subscriber, their respective substantial shareholders and professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement or connection between the Group or the Subscriber on one hand and us on the other hand. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Company,

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

the Subscriber, their respective substantial shareholders and other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. As such, we are qualified to give independent advice to the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee in respect of the Subscription and the Whitewash Waiver pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Circular; (ii) the information and opinions provided by the Directors and the management of the Group; and (iii) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in this Circular during the period from the Latest Practicable Date up to the date of the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Takeover Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders accordingly.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Subscriber or any of their respective subsidiaries and associates.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Background of the Group

The principal activities of the Group are mainly engaged in the retail of household appliance, mobile phones, computers, import and general merchandise and provision of maintenance and installation services (the “**Traditional Business**”), the liquor business and education-related training business (the “**New Businesses**”) in the PRC.

(i) Financial performance

Set out below is a summary of (a) the audited financial information of the Group for the years ended 31 December 2021, 2022 and 2023 (“**FY2021**”, “**FY2022**” and “**FY2023**”, respectively) as extracted from the annual report of the Company for FY2022 (the “**2022 Annual Report**”) and the annual report of the Company for FY2023 (the “**2023 Annual Report**”):

	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	301,173	262,348	319,813
Cost of sales and services	(264,714)	(224,123)	(258,063)
Gross profit	36,459	38,225	61,750
Gross profit margin	12.1%	14.6%	19.3%
Other income	5,695	6,432	5,903
Other net gain/(loss)	1,996	(17,673)	5,038
Impairment losses on trade receivables	(1,131)	(497)	(158)
Impairment loss on property, plant and equipment and right-of-use assets	—	(55,728)	—
Gain of disposal of subsidiaries	—	—	104,185
Selling and marketing expenses	(49,329)	(36,789)	(62,270)
Administrative expenses	(32,403)	(46,869)	(29,004)
Net finance costs	(23,441)	(24,615)	(31,655)
(Loss)/Profit before tax	(62,154)	(137,514)	53,789
(Loss)/Profit attributable to the Shareholders	(60,036)	(136,767)	55,854

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

FY2022 compared to FY2021

The Group's revenue decreased by approximately 12.9% from approximately RMB301.2 million for FY2021 to approximately RMB262.3 million for FY2022. Such decrease was mainly due to the impact of COVID-19 pandemic in 2022 which decreased the sales of the Traditional Business from approximately RMB297.0 million in FY2021 to approximately RMB257.9 million in FY2022.

The Group's gross profit margin increased from approximately 12.1% for FY2021 to approximately 14.6% for FY2022, which was mainly attributable to the decrease in purchasing costs.

The Group's loss attributable to the Shareholders increased by approximately 127.8% from approximately RMB60.0 million for FY2021 to approximately RMB136.8 million for FY2022. Such increase was primarily attributable to (a) the increase in other loss as a result of the provision of litigation; (b) the increase in impairment loss on property, plant and equipment and right-of-use assets; and (c) the increase in administrative expenses mainly due to the professional fee for the proposed very substantial acquisition in 2022.

FY2023 compared to FY2022

The Group's revenue increased by approximately 21.9% from approximately RMB262.3 million for FY2022 to approximately RMB319.8 million for FY2023, mainly due to the increase in revenue of approximately RMB80.0 million generated from the New Businesses in FY2023.

The Group's gross profit margin increased from approximately 14.6% for FY2022 to approximately 19.3% for FY2023, mainly due to the higher gross profit margin from the sales of liquor and the provision of education related service.

The Group recorded profit attributable to the Shareholders of approximately RMB55.9 million, which was primarily attributable to (a) the increase in gross profit as a result of the increase in revenue and gross profit margin as discussed above; and (b) the gain of approximately RMB104,185,000 from the disposal of subsidiaries as disclosed in the announcement of the Company dated 17 January 2023.

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 as extracted from the 2022 Annual Report and the 2023 Annual Report:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Non-current assets	229,301	137,518	46,156
Current assets	131,173	100,919	267,506
Total assets	360,474	238,437	313,662
Current liabilities	394,140	267,064	246,973
Non-current liabilities	299,225	442,089	482,791
Total liabilities	693,365	709,153	729,764
Equity attributable to the Shareholders	(351,735)	(488,502)	(432,648)

As at 31 December 2023, total assets of the Group were approximately RMB313.7 million, which mainly consisted of (a) cash and cash equivalents of approximately RMB162.3 million; (b) inventories of approximately RMB56.4 million; (c) prepayments, deposits and other receivables of approximately RMB40.0 million; and (d) investment properties of approximately RMB24.2 million.

As at 31 December 2023, total liabilities of the Group were approximately RMB729.8 million, which mainly consisted of (a) borrowings of approximately RMB471.2 million including the Shareholder's Loan and loans from two independent third parties; (b) accruals and other payables of approximately RMB97.7 million; (c) contract liabilities of approximately RMB48.5 million; and (d) other current liabilities of approximately RMB53.6 million.

The gearing ratio of the Group, being total liabilities divided by the sum of total equity and total liabilities, decreased from approximately 297.4% as at 31 December 2022 to approximately 232.7% as at 31 December 2023, which was mainly due to the disposal of the entire equity interests in a wholly-owned subsidiary of the Group with net liability.

(iii) *Overall comment*

As stated in the 2023 Annual Results Announcement, the Group recorded a profit attributable to the Shareholders of approximately RMB55.9 million for FY2023, which was primarily due to a gain of RMB104,185,000 on disposal of the entire equity interests in a wholly-owned subsidiary of the Group with net liability. After deducting the one-off gain on disposal of the subsidiary, the Group incurred net loss of approximately RMB48.3 million in its ordinary course of business for FY2023, which has been loss-making for more than five financial years. Based on our review of the 2023 Annual Report, taking into account that (i) although the Group's gross profit for FY2023 increased

LETTER OF THE INDEPENDENT FINANCIAL ADVISER

by approximately RMB23.5 million as compared to FY2022, the Group's selling and marketing expenses for FY2023 also increased by approximately RMB25.5 million due to the New Businesses. Accordingly, we consider that the Group's weak financial performance is not seen to be improved by the New Business in FY2023; and (ii) the Group's ordinary course of business for FY2023 still incurred net loss after excluding the one off disposal gain as aforesaid, we consider the latest business and financial performance of the Group is not a primary factor for us to take into account in assessing the Subscription. As at 31 December 2023, the Group had net liabilities attributable to the Shareholders of approximately RMB432.6 million and borrowings of approximately RMB471.2 million. Although the Group's gearing ratio for FY2023 has improved compared to FY2022, it still remained high.

2. Background of the Subscriber

The Subscriber is Noble Trade International Holdings Limited (聖行國際集團有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company, holding 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is principally engaged in investment holding and has no other significant investment, assets or business operation as at the Latest Practicable Date. For details, please refer to the section headed "Information of the Subscriber" in the Letter from the Board.

As at the Latest Practicable Date, the Group is indebted to the Subscriber in the amount of approximately HK\$352.49 million under the Shareholder's Loans (including the outstanding principal amount and accrued interest) with repayment dates ranging from 13 January 2025 to 25 December 2026. The Shareholder's Loans are unsecured and bear interest at the rate of 4.5% per annum. The Shareholder's Loans were provided to the Group by the Subscriber for the purpose of the Group's general working capital requirement.

3. Reasons and benefits for the Subscription

As stated in the section headed "Background of the Group" above, the Group has a high gearing ratio of approximately 232.7% and net liabilities attributable to the Shareholders of approximately RMB432.6 million as at 31 December 2023. With only RMB162.3 million in cash position, the Group itself has insufficient financial resources to settle all outstanding loans, including the Shareholders' Loans owing by the Company to the Subscriber. Based on our review of the 2023 Annual Report, the Group's finance cost increased by approximately 28.4% to approximately RMB31.9 million for FY2023 from approximately RMB24.9 million for FY2022, while the Group only recorded gross profit of approximately RMB61.8 million for FY2023. The finance cost was as high as approximately 51.6% of the gross profit. In view of the increasing finance costs and the segmental losses of the New Businesses which suppresses the Group's financial results, we concurred with the Directors that the Group has imminent need to reduce its gearing ratio and finance costs. Upon completion of the Subscription, the Group's gearing ratio will decrease from approximately 232.7% as at 31 December 2023 to approximately 173.5% and is expected to save finance costs of approximately HK\$8.35 million per annum. We consider such improvement of financial results and financial position will look more appealing to investors if the Company considers equity or other fundraising in the future.

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In respect of bank borrowings, in light of the financial position, in particular, the loss-making position, the high gearing ratio and net liability of the Group, it is infeasible, practically difficult and time-consuming for the Company to obtain additional bank borrowings at acceptable finance cost with affordable terms and conditions. Based on our request made with the Company to obtain all communication records for corporate borrowings, we were provided the communication records between the Group and a bank, and noted that the bank preliminarily provided indicative terms to offer a secured loan based on certain value of the Group's properties or an unsecured loan which was far below the amount of the Shareholders' Loans. As advised by the management of the Group, the Company also made enquiries by calls with four other banks, amongst which, one of the banks would not consider providing loans, while the other three banks would only consider providing loans upon satisfaction of the banks' debt-to-asset ratio requirement and provision of collateral by the Group or provision of guarantee by independent guarantee company. The banks' debt-to-asset ratio requirements are not currently fulfilled by the Group, so the Group is unable to secure sizeable bank borrowings. Based on the above, we consider the information we reviewed serves as a useful reference for our aforesaid analysis. Besides, given that the Group only had property, plant and equipment of approximately RMB7.4 million as at 31 December 2023, we consider that the Group is not able to raise fund effectively through debt financing. Upon completion of the Loan Capitalisation, the net liabilities position and the gearing ratio of the Group will be improved, and accordingly the financial burden of the Group will be relieved, which is expected to increase the bargaining power of the Group in negotiating a better term of borrowing to be granted by financial institutions. As at 31 December 2023, the Group had (i) outstanding borrowing of approximately RMB6.3 million, which is secured, bears interest at 5.5% per annum and is due for repayment on or before 29 September 2025, from Wu Jipeng; and (ii) outstanding borrowings of approximately RMB41.2 million, which are secured, bear interest at 5% per annum and are due for repayment on or before 13 June 2025, from Guangdong Shengrong Financial Holding Co., Ltd. We consider that the Group's existing borrowings from independent third parties, which are smaller in amount, have higher interest rates than the Shareholder's Loans and require collateral, demonstrate the Group's difficulty in debt financing.

In respect of equity financing, the Company has completed a placing (the "**Placing**") under general mandate on 26 January 2024, which raised net proceeds of HK\$29,960,604.12 at the subscription price of HK\$0.69 per Share, representing a discount of approximately 19.20% to the benchmarked price of HK\$0.854 per Share, and utilised 100% of the general mandate granted by the Shareholders at the annual general meeting of the Company held on 15 June 2023. When comparing the Placing with the Subscription, taking into account (i) the size of the Subscription is significantly larger than that of the Placing by approximately five times; and (ii) the determination of Subscription Price/Placing price was generally set with reference with the average closing price per Share prior to the signing of the respective agreements, and the average closing price for five consecutive trading days of Shares prior to the date of Subscription was HK\$0.512 per Share, which was lower than that of Placing of HK\$0.854 per Share and the Placing Price of HK\$0.69 per Share; we consider it is more difficult to gauge market demand for Subscription of this size, and as such the Subscription Price, which is not higher than the Placing price of HK\$0.69 per Share and is set with reference to the average closing price prior to the date of the Subscription Agreement, is justifiable. In addition, on 7 April 2021, the Company entered into the subscription and capitalisation agreement to settle the loan of HK\$40,734,167. On 23 August 2022, the Company announced to acquire an entrepreneurship training services provider in the PRC which was mostly held by the executive Directors and accordingly it constituted a very substantial acquisition and connected transaction involving the reverse takeover for the Company and possible unconditional mandatory cash offer by the vendors,

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although it was terminated on 11 September 2023. We understood that pursuant to Rule 4 of the Takeovers Code, during the RTO Period (as defined below), the Company is not allowed to take action which could effectively result in an offer being frustrated, including issue of Shares to attempt any equity financing or placing, without the approval of the Shareholders in general meeting. As such, the Company didn't conduct any equity financing during the RTO Period. We consider the Company had tried means including placing and loan capitalisation at higher subscription prices and business diversification in the past years to improve its financial position but was unsuccessful.

Equity financing involves identification of suitable underwriters, placing agents or places, negotiation of commission rate, and determination of subscription price, which may be time consuming and less cost effective as compared to the Loan Capitalisation which only required the determination of the Subscription Price. Given more uncertainties and coupled with the large amount involved, we concurred with the Directors that it will be more time-consuming and less cost effective for the Company to arrange other equity financing. Under the current volatile market condition and in light of the financial position of the Company which may not be appealing to the market, it is also difficult to ascertain market demand and there is uncertainty in successful equity financing. Although the Company and the Subscriber have been in negotiations and discussions for the Subscription and the Loan Capitalisation over the two months prior to signing the Subscription Agreement, the Company may need to devote more time to communicating with a large number of placing agents and investors in order to raise funds of the same size as the Subscription on terms acceptable to the Company, which is expected to take longer time than the Subscription. Although both open offer and rights issue would allow the Shareholders to participate in the subscription on new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company, given the current volatile market condition and in light of the financial position of the Company which may not be appealing to the market, the Company would have difficulties in sourcing underwriter with reasonable underwriting fee and subscription price of reasonable discount and the Subscriber may still need to underwrite the offer shares which are not subscribed by the Shareholders.

As advised by the management of the Group, after the Placing, the Company has had preliminary contacts and discussions with potential investors, who expressed interest in the Company on the condition that the financial performance of the Company will improve. Having considered the Group has exhausted all means to seek for fundraising in view of its net liability position and high gearing ratio, including (a) debt financing, which the Group only received an indicative term from one financial institution which is far below the amount of the Shareholders' Loans or feedbacks from other banks which would not consider providing loans or the Group could not fulfil the conditions proposed by the banks for providing loans; and (b) equity financings, which are considered to be difficult to secure a term comparable to the size of the Subscription, we consider that the Group has sought the best fund raising terms for the Company, and the Loan Capitalisation and the Subscription is a feasible way in relieving the current financial burden of the Group.

Having considered (i) the high gearing ratio and net liabilities position of the Group and its difficulty to obtain sizable bank borrowings and equity financings; (ii) although the Company would not raise any proceeds from the Loan Capitalisation, the Subscription enabling the Company to settle the Shareholder's Loans of HK\$185.50 million in one go without requiring substantial cash outflow and save finance costs of approximately HK\$8.35 million per annum; and (iii) the Subscription is expected to save the time cost and commission of finding investors compared with placing, we therefore concur with the Directors that the Loan Capitalisation is a preferable way in alleviating the

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financial burden faced by the Company. Although the Group may borrow from the banks with interest rate higher than the Shareholder's Loans in the future, based on the existing financial position of the Group, there is no indication that the Group is able to settle all Shareholder's Loans with its internal resources when the Shareholder's Loan mature. By capitalising the Shareholder's Loans as early as possible, the Group can save interest expenses.

4. Principal terms of the Subscription Agreement

For details of the terms of the Subscription Agreement, please refer to the section headed "The Subscription Agreement" in the Letter from the Board. Set out below are the principal terms of the Subscription Agreement:

Date	:	18 March 2024
Parties	:	(a) the Company (b) the Subscriber, which is a substantial shareholder and thus a connected person of the Company
Total Consideration	:	HK\$185.50 million
Subscription Price per Subscription Share	:	HK\$0.35
Par Value of the Subscription Shares	:	US\$10,600,000, with a par value of US\$0.02 each

Upon Completion, HK\$185.50 million in the outstanding principal amount of the Shareholder's Loans shall be deemed to have been fully repaid, and the remaining balance of the Shareholder's Loans (including any interest accrued under the Shareholder's Loans from the date of the Subscription Agreement to the Completion Date) shall be approximately HK\$166.99 million. As advised by the management of the Group, the Group intends to gradually settle the outstanding balance after the Subscription by further exploring potential equity financing and using the profit to be generated from the New Businesses after the New Businesses have stabilised in the coming years.

5. Assessment of the Subscription Price

The Subscription Price of HK\$0.35 represents:

- (a) a discount of approximately 31.37% over the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 31.37% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 31.64% to the average closing price of HK\$0.512 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

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- (d) a discount of approximately 30.97% to the average closing price of HK\$0.507 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (e) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 21.14%, represented by the theoretical diluted price of approximately HK\$0.40 per Share to the benchmarked price of approximately HK\$0.512 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK\$0.51 per Share; and (ii) the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement of HK\$0.512 per Share); and
- (f) a premium of HK\$2.44 to the Company's audited net liabilities per Share of approximately HK\$2.09 (equivalent to approximately RMB1.90 at the exchange rate of HK\$1=RMB0.90622) as at 31 December 2023 based on the net liabilities attributable of approximately RMB416,102,000 and the 219,279,744 Shares in issue as at 31 December 2023.

The Subscription Price was primarily determined after arm's length negotiations between the Company and the Subscriber with reference to (i) the outstanding amount under the Shareholder's Loans; (ii) the financial position of the Group, having considered that the net liabilities of the Group of approximately RMB416,102,000 as at 31 December 2023; (iii) the prevailing market prices of the Shares; (iv) the valuation of home appliance business in the retail industry; and (v) the recent market conditions in the stock market.

We understood that the control premium is not considered in the determination of the Subscription Price. Generally speaking, a control premium generally represents the additional consideration that an investor would pay in order to own a controlling interest in the company. Given that (i) the Subscriber has all along been the single largest Shareholder before and after the Subscription; and (ii) the increase in shareholding interest resulting from the Subscription does not effectively influence the power of the Subscriber in relation to the operation and management decision, we consider that it is reasonable not to consider control premium in arriving at the Subscription Price.

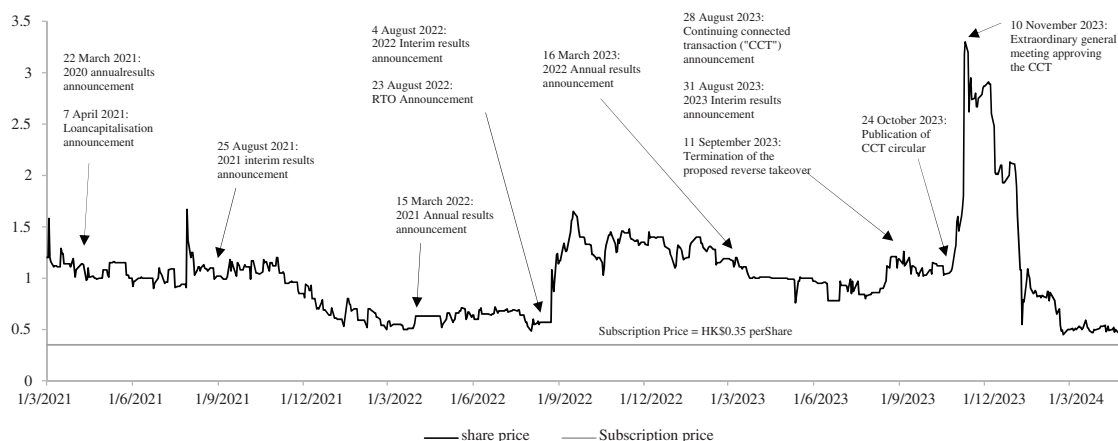
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(a) Historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices of the Shares from 1 March 2021 to the Last Trading Day (i.e. 17 March 2024) (the “**Review Period**”), being approximately three years, and up to the Latest Practicable Date. On 23 August 2022, the Company announced to acquire an entrepreneurship training services provider in the PRC which was mostly held by the executive Directors and accordingly it constituted a very substantial acquisition and connected transaction involving the reverse takeover for the Company (the “**RTO Announcement**”). On 11 September 2023, it was announced that such acquisition was terminated by the parties.

Given the closing price of the Shares generally fluctuated as a result of the publication of the RTO Announcement from 23 August 2022 to 11 September 2023 (the “**RTO Period**”), we consider the Review Period, which covers approximately two years outside the RTO Period, is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing price of the Shares.

Set out below are the charts showing (i) the movements of daily closing prices of the Shares (Chart 1); and (ii) the comparison of the performance of the Share price with the Hang Seng Index (Chart 2) during the Review Period.



Performance of Share price (Chart 1)

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Comparison with the Hang Seng Index (*Chart 2*)

Source: Bloomberg

As shown above, the closing price of the Shares was above the Subscription Price at all times during the Review Period, ranging from HK\$0.45 per Share on 23 February 2024 to HK\$3.30 per Share on 10 November 2023. In other words, the discounts of the Subscription Price to the closing prices of the Shares ranged from approximately 22.2% to 86.4% during the Review Period.

The closing price of the Shares fluctuated between HK\$0.90 per Share and HK\$1.67 per Share from 1 March 2021 to 3 November 2021 and closed at HK\$1.2 per Share on 3 November 2021. Thereafter, it decreased to HK\$0.53 per Share on 13 January 2022 which was in line with the downward trend of the Hang Seng Index. The closing price of the Shares remained stable at approximately HK\$0.60 per Share from 1 March 2022 to 23 August 2022. The average Share price was approximately HK\$0.86 from 1 March 2021 to 23 August 2022 (the “**Pre-RTO Period**”).

After the publication of the RTO Announcement on 23 August 2022, the Share price surged to HK\$1.08 per Share on 24 August 2022. During the RTO Period, the Share price fluctuated between HK\$1.65 per Share on 16 September 2022 and HK\$0.76 per Share on 12 May 2023, and closed at HK\$1.13 per Share on 12 September 2023 after the announcement of the termination of the proposed reverse takeover on 11 September 2023. During the RTO Period, the Share price in average was HK\$1.15 per Share, which is higher than the average of approximately HK\$0.86 per Share during the Pre-RTO Period.

Subsequent to the RTO Period, from 12 September 2023 to 20 October 2023, the Share price remained relatively stable and hovered between HK\$1.02 per Share to HK\$1.15 per Share. Upon the publication of the circular dated 24 October 2023 (the “**CCT Circular**”) further to the announcement on 28 August 2023 in relation to the continuing connected transaction pursuant to which the Group agreed to act as the agent for Beijing Shengshang Entrepreneurial Technology Co., Ltd. (an associated company held by Mr. Yuan Li) in respect of the sales and promotion of its training courses and services, the Share price surged from the lowest of HK\$1.05 per Share on 24 October 2023 and

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reached the highest of HK\$3.3 per Share on 10 November 2023, which is the date of independent shareholders approving the continuing connected transaction of the Company at the extraordinary general meeting. Since then, the Share price generally stood above HK\$2.0 per Share up until 3 January 2024, before it gradually dropped from HK\$1.89 per Share on 4 January 2024 to HK\$0.55 per Share on 10 January 2024. Based on our review of the Company's announcements published on the website of the Stock Exchange, save as the publication of the CCT Circular, we are not aware of any information that caused the fluctuations in the closing price of the Shares between 24 October 2023 and 10 January 2024.

On the Last Trading Day, the Hang Seng Index closed at 16,721 points, representing a decrease of approximately 44.0% from the high of 29,880 points on 3 March 2021 during the Review Period. As set out in the above charts, except from the RTO Period and the period upon the despatch of the CCT Circular, the Share price generally trended downward which was in line with the Hang Seng Index during the Review Period. On the Last Trading Day, the Share price closed at HK\$0.51 per Share, representing a decrease of approximately 40.7% from the average Share price of HK\$0.86 per Share during the Pre-RTO Period. As at the Latest Practicable Date, the closing price of the Shares was HK\$0.51 per Share, to which the Subscription Price represents a discount of approximately 31.37%.

Taking into account (i) the Share price generally trended in line with the Hang Seng Index during the Review Period except for the RTO Period and the period after the publication of the CCT Circular; (ii) the fluctuation of the Share price during the RTO Period and the period after the publication of the CCT Circular didn't reflect the latest business development and financial position of the Group; and (iii) although the Share price surged to HK\$0.59 per Share on 18 March 2024 after the publication of 2023 Annual Results Announcement, it fell to HK\$0.50 per Share on 25 March 2024 and closed at HK\$0.51 per Share on Latest Practicable Date which was same as the Share price of HK\$0.51 per Share on the Last Trading Day. As discussed in the section headed "Background of the Group", the Group's New Businesses had not been a turnaround for the Group's poor financial performance for FY2023. The Group's annual results for FY2023 have not demonstrated that there exists any material change in the financial performance of the Group as compared to the Group's interim results for the six months ended 30 June 2023, we consider that it is fair and reasonable to determine the Subscription Price by reference to the Share price on the Last Trading Day and the average Share price for days prior to the date of the Subscription Agreement. For details of our analysis of the discounts represented by the Subscription Price to the Share price on the Last Trading Day and the average Share price for days prior to the date of the Subscription Agreement, please refer to the subsection headed "(c) Comparable transactions" below.

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(b) Average daily trading volume of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the period from 1 March 2021 to the Latest Practicable Date:

	Number of trading days	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 1)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 2)</i>
2021				
March	23	20,313	0.0111%	0.0132%
April	19	15,674	0.0086%	0.0102%
May	20	18,800	0.0103%	0.0122%
June	21	8,186	0.0037%	0.0053%
July	21	38,462	0.0175%	0.0249%
August	22	24,937	0.0114%	0.0162%
September	21	24,776	0.0113%	0.0161%
October	18	23,972	0.0109%	0.0155%
November	22	33,127	0.0151%	0.0215%
December	22	20,991	0.0096%	0.0136%
2022				
January	21	14,319	0.0065%	0.0093%
February	17	6,629	0.0030%	0.0043%
March	23	6,631	0.0030%	0.0043%
April	18	459,039	0.2093%	0.2975%
May	20	21,585	0.0098%	0.0140%
June	21	33,652	0.0153%	0.0218%
July	20	6,710	0.0031%	0.0043%
August	23	199,348	0.0909%	0.1292%
September	21	99,167	0.0452%	0.0643%
October	20	25,200	0.0115%	0.0163%
November	22	11,550	0.0053%	0.0075%
December	20	32,190	0.0147%	0.0209%
2023				
January	18	30,217	0.0138%	0.0196%
February	20	9,585	0.0044%	0.0062%
March	23	11,730	0.0053%	0.0076%

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	Number of trading days	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 1)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 2)</i>
April	17	4,118	0.0019%	0.0027%
May	21	7,229	0.0033%	0.0047%
June	21	7,914	0.0036%	0.0051%
July	20	20,785	0.0095%	0.0135%
August	23	21,026	0.0096%	0.0136%
September	19	16,179	0.0074%	0.0105%
October	20	12,665	0.0058%	0.0082%
November	22	176,818	0.0806%	0.1146%
December	19	84,989	0.0388%	0.0551%
2024				
January	22	871,727	0.3313%	0.4390%
February	19	1,399,689	0.5319%	0.7049%
March	20	206,520	0.0785%	0.1040%
From 1 April to the Latest Practicable Date	18	137,189	0.0521%	0.0691%

Source: Website of the Stock Exchange

Notes:

1. Based on the total number of the Shares in issue at the end of each month or period.
2. Based on the number of Shares held by public Shareholders at the end of each month or period.

The average daily trading volume for the respective month or period during the above period ranged from approximately 4,118 Shares in April 2023 to approximately 1,399,689 Shares in February 2024, representing approximately 0.0019% to 0.5319% of the total number of the Shares in issue and approximately 0.0027% to 0.7049% of the total number of the Shares held by the public, respectively.

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The thin trading liquidity of the Shares during the Review Period suggests that when the Company explores substantial equity financing in the stock market, potential investors are likely to seek more significant incentives, including a substantial discount on the subscription price relative to the prevailing market price of the Shares, to encourage their participation in these fundraising activities. As such, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares to balance the low liquidity of the Shares during the Review Period.

(c) Comparable transactions

In order to further assess the fairness and reasonableness of the Subscription Price, we have further reviewed recent market practices involving subscription of new shares for debt capitalisation which (1) were announced by the companies listed on the Main Board of the Stock Exchange for the period from 1 March 2023 up to the Last Trading Day (being approximately one year); and (2) have been completed as at the Last Trading Day. We have identified an exhaustive list of eight transactions (the “**Comparable Transactions**”). We consider that the aforesaid review period of approximately one year is adequate and appropriate to (1) capture the recent market practice involving subscription of new shares for debt capitalisation under the prevailing market conditions; and (2) provide a sufficient sample for comparison with the Subscription. The purpose of our analysis is to compare the terms of similar underlying transactions on the market against the proposed terms of the Loan Capitalisation to assess the fairness and reasonableness of the Subscription Price. The Comparable Transactions are cases involving subscription of new shares for debt capitalisation, where the listed companies are typically in a similar financial position to the Company with poor financial performance, high gearing ratio and thin capital base. As such, we consider the debt capitalisation transactions are more comparable to the Loan Capitalisation than other subscriptions on the market. Given that (i) the Subscriber has all along been the single largest Shareholder before and after the Subscription; and (ii) the increase in shareholding interest resulting from the Subscription does not effectively influence the power of the Subscriber in relation to the operation and management decision, we have not included whether the subscriber can get a controlling interest as a selection criteria. For indication only, if narrowing the scope to debt capitalisation transactions involving the issue of shares under specific mandate, only three transactions were identified, the sample size of which we consider to be insufficient for our analysis.

Although the listed issuers involved in the Comparable Transactions have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, and the proceeds raised by the Comparable Transactions may be not comparable to that of the Subscription, we consider that the Comparable Transactions can provide a general reference to the pricing trend of market practices involving subscription of new shares for debt capitalisation under the current market conditions, so as to determine whether the Subscription Price is in line with market practices.

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The details of the Comparable Transactions are set out below:

Date of announcement	Company name (stock code)	Nature and amount of the loans	% of the subscription shares issued as at the date of the announcement	Premium/ (discount) of the subscription price to the closing price on the last trading day prior to signing of the subscription agreement (%)	Premium/ (discount) of the subscription price to average closing price for the last five trading days prior to the date of the subscription agreement (%)	Premium/ (discount) of the subscription price to average closing price for the last ten trading days prior to the date of the subscription agreement (%)	Theoretical dilution effect (%) (Note 1)	Shareholders' approval required	Financial position (Note 2)	Approximate percentage of average daily trading volume to total number of Shares in issue for the one year prior to the date of the subscription agreement
21 March 2023	Envision Greenwise Holdings Limited (formerly known as Golden Ponder Holdings Limited) (1783)	HK\$41,460,000 payable under the promissory notes. The subscriber is the controlling shareholder.	10.80	(14.89)	(17.86)	(22.71)	(1.74)	Y	Net asset	0.1370%
27 March 2023	Pan Asia Data Holdings Inc. (1561)	HK\$57,542,000 payable under a series of loan agreements. The subscribers are independent third parties.	4.21	37.93	36.52	31.80	1.48	N	Net asset	0.1029%
6 June 2023	China First Capital Group Limited (1269) ("First Capital")	HK\$12,537,076 payable under the bonds. The subscribers are independent third parties.	7.28	92.31	96.08	94.93	6.26	N	Net liability	0.4569%
31 May 2023	HG Semiconductor Limited (6908) ("HG Semiconductor")	HK\$103,563,028 payable under the loan agreement. The subscriber was an independent third party before the subscription and became the largest shareholder after the subscription.	22.26	(57.67)	(48.05)	(39.85)	(10.50)	Y	Net asset	0.4540%
21 June 2023	Pan Asia Data Holdings Inc. (1561)	HK\$8,041,000 payable under the loan agreement. The subscriber is independent third party.	0.56	55.34	73.91	67.44	0.31	N	Net asset	0.0913%
1 August 2023	Zhongzheng International Company Limited (943)	HK\$21,030,000 payable under the loan agreement. The subscriber is independent third party.	19.61	0.00	0.00	0.00	0.00	N	Net asset	0.0351%
7 September 2023	Da Sen Holdings Group Limited (1580) ("Da Sen")	HK\$20,000,000 owed by the company to the subscriber, who is the controlling shareholder	29.56	(35.48)	(40.48)	(43.50)	(9.24)	Y	Net asset	0.0104%

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Date of announcement	Company name (stock code)	Nature and amount of the loans	% of the subscription shares issued as at the date of announcement	Premium/ (discount) of the subscription price to the closing price on the last trading day prior to signing of the subscription agreement (%)	Premium/ (discount) of the subscription price to average closing price for the last five trading days prior to the date of the subscription agreement (%)	Premium/ (discount) of the subscription price to average closing price for the last ten trading days prior to the date of the subscription agreement (%)	Theoretical dilution effect (%) (Note 1)	Shareholders' approval required	Financial position (Note 2)	Approximate percentage of average daily trading volume to total number of Shares in issue for the one year prior to the date of the subscription agreement
1 December 2023	Pan Asia Environmental Protection Group Limited (556)	HK\$31,800,000 payable under the corporate bond. The subscriber is independent third party	17.86	(14.86)	(15.81)	(17.80)	(2.39)	N	Net asset	0.4107%
	Minimum			(57.67)	(48.05)	(43.50)				0.0104%
	Maximum			92.31	96.08	94.93				0.4569%
	Average			7.83	10.54	8.79				0.2123%
	Median			(7.43)	(7.91)	(8.90)				0.1200%
17 March 2024	The Company		201.42	(31.37)	(31.64)	(30.97)	(21.14)	Y	Net liability	0.0936%

Source: *website of the Stock Exchange*

Notes:

- Theoretical dilution effect refers to the discount of the theoretical diluted price to the benchmarked price as defined under Rule 7.27B of the Listing Rules.
- Based on the latest financial results published as at the date of the subscription agreement.

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As set out in the table above, we note that:

- (1) the subscription price to the share price on the last trading day prior to signing of the subscription agreement of the Comparable Transactions ranged from a discount of approximately 57.67% to a premium of approximately 92.31%, with a median discount of approximately 7.43%. The discount of approximately 31.37% as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day is within the range of the Comparable Transactions but deeper than the median discount of the Comparable Transactions;
- (2) the subscription price to average closing price for the last five trading days prior to the date of the subscription agreement of the Comparable Transactions ranged from a discount of approximately 48.05% to a premium of approximately 96.08%, with a median discount of approximately 7.91%. The discount of approximately 31.64% as represented by the Subscription Price to the closing price of the Shares for the last five trading days prior to the date of the Subscription Agreement is within the range of the Comparable Transactions but deeper than the median discount of the Comparable Transactions;
- (3) the subscription price to average closing price for the last ten trading days prior to the date of the subscription agreement of the Comparable Transactions ranged from a discount of approximately 43.50% to a premium of approximately 94.93%, with a median discount of approximately 8.90%. The discount of approximately 30.97% as represented by the Subscription Price to the closing price of the Shares for the last ten trading days prior to the date of the Subscription Agreement is within the range of the Comparable Transactions but deeper than the median discount of the Comparable Transactions;
- (4) the Subscription has the highest theoretical dilution effect among the Comparable Transactions, which was mainly due to the fact that the Company's market capitalisation was only approximately HK\$134.2 million as at the Last Trading Day while the indebted amount to be capitalised was HK\$185.5 million. As other Comparable Transactions didn't have such a large indebted amount as compared to their market capitalisation, we consider the high theoretical dilution effect to be acceptable;
- (5) among the Comparable Transactions, only First Capital was in net liability position as at the date of the subscription agreement while its subscription price represented highest premium to the closing price. We consider First Capital is an outlier case as it is not common for the investors to pay high premium to subscribe for shares of a company in net liability position;
- (6) the percentage of average daily trading volume of the Shares to total number of Shares in issue for the one year prior to the date of the Subscription Agreement is lower than the average and median percentages of the Comparable Transactions, which demonstrates the thin trading liquidity of the Shares;
- (7) among the Comparable Transactions, in the cases of Da Sen and HG Semiconductor, the subscription shares represented more than 20% of the issued share capital of the companies and were therefore issued under specific mandate. For Da Sen, the shareholding of the subscriber increased from approximately 51.12% to approximately 62.28% after the

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subscription. For HG Semiconductor, the shareholding of the subscriber increased from nil to approximately 17.24% after the subscription and became the largest shareholder of HG Semiconductor. The discounts represented by the Subscription Price are lower than those of Da Sen and HG Semiconductor.

Although the discount of approximately 31.37% represented by the Subscription Price to the closing price on the Last Trading Day ranked the third largest discount among the Comparable Transactions, given that (a) as shown in the table above, it is not an uncommon market practice that the subscription price represents a discount to the closing share price prior to the last trading day prior to signing of the subscription agreement; (b) the Group was in net liabilities position as at 31 December 2023, while except for First Capital, the other companies in the Comparable Transactions were in net asset position as at the date of the respective subscription agreements; (c) the Shares had a low trading liquidity during the Review Period. The percentage of average daily trading volume of the Shares to total number of Shares in issue for the one year prior to the date of the Subscription Agreement is lower than the average and median percentages of the Comparable Transactions; (d) the higher discount of the subscription price could encourage the creditor to settle the debt by capitalisation; (e) the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the average closing prices of the Shares for the last five trading days and the last ten trading days prior to the date of the Subscription Agreement are within the ranges of those of the Comparable Transactions; (f) the discounts represented by the Subscription Price are lower than those of Da Sen and HG Semiconductor, in which the subscriptions also required shareholders' approval and the subscribers enhanced controlling interest or became the largest shareholder after completion of the subscriptions; and (g) the Subscription Price was determined with reference to the prevailing market valuation of the comparable companies as discussed below, we are of the view that the higher discounts represented by the Subscription Price than the average and median discounts of the Comparable Transactions are fair and reasonable, and thereafter the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(d) Comparable companies

We have also identified an exhaustive list of companies (the “**Comparable Companies**”) which (i) are principally engaged in retail of home appliances, which accounts for more than 50% of revenue; and (ii) have their shares listed on Main Board of the Stock Exchange. Based on the aforesaid criteria, we have identified an exhaustive list of two Comparable Companies. Given the liquor business and the education-related training business (i) just started in 2023 and have not reached a stage of stable development; (ii) contributed to less than 50% of the Group's revenue for FY2023; and (iii) had segment loss for FY2023, we consider choosing the Comparable Companies which are principally engaged in retail of home appliances is fair and reasonable.

Price-to-earnings, price-to-book and price-to-sale ratios are the three most commonly used benchmarks in valuing a company. Given (i) the Group was loss-making for FY2023 after deducting the one-off gain on disposal of the subsidiary; (ii) the Group was in net liabilities position as at 31 December 2023; and (iii) price-to-sale ratio (“**P/S**”) is appropriate for valuing companies which have stable revenue such as retailers offering general merchandise, we consider that P/S is more appropriate for valuing the Group as compared to price-to-earnings and price-to-book ratios.

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The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation on the Last Trading Day (HK\$ million)	P/S on the Last Trading Day
YOHO Group Holdings Limited (2347)	Sales of consumer electronics and home appliances and lifestyle products	330.00	0.41
Gome Retail Holdings Limited (493) ("Gome Retail")	Operating and managing of retail stores for electrical appliances, consumer electronic products and general merchandise, as well as a full category of online sales network in the PRC through self-operated and platform models	955.25	0.15
	Average		0.28
	The Company	134.20	0.26 <i>(Note)</i>

Source: website of the Stock Exchange

Note: The implied P/S of the Company is calculated based on the Subscription Price and the Group's revenue for FY2023.

As shown above, the P/S of the Comparable Companies ranged from approximately 0.15 times to approximately 0.41 times with an average P/S of approximately 0.28 times on the Last Trading Day. The implied P/S of the Company of approximately 0.26 times is generally close to the average P/S of the Comparable Companies. In addition, Gome Retail, the leading home appliance retailer in the PRC, has a larger market capitalisation than the Company, while its P/S as at the Last Trading Day was only approximately 0.15 times and lower than the implied P/S of the Company. As such, we consider the Subscription Price was determined with reference to the prevailing market valuation of the Comparable Companies, which we consider to be fair and reasonable so far as the Independent Shareholders are concerned.

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6. Potential dilution effect on the shareholding interests of the Independent Shareholders

As at the Latest Practicable Date, other than the 263,135,692 Shares in issue, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the Completion assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the Completion, are set out below:

	As at the Latest Practicable Date		Immediately after the Completion	
	<i>Number of Shares held</i>	%	<i>Number of Shares held</i>	%
The Subscriber and parties acting in concert with it				
The Subscriber	64,565,624	24.54	594,565,624	74.96
Other substantial shareholder				
Yayue Longte Co., Limited	43,855,948	16.67	43,855,948	5.53
Other public Shareholders	154,714,120	58.79	154,714,120	19.51
Total issued Shares	263,135,692	100.00	793,135,692	100.00

Note: Yayue Longte Co., Limited is wholly owned by Ms. Liu Yang. Yayue Longte Co., Limited and Ms. Liu Yang are not acting in concert with and have no relationship with the Subscriber and its beneficial owners. Upon the Completion, Yayue Longte Co., Limited will hold less than 10% of the issued share capital of the Company and cease to be a substantial shareholder of the Company and therefore the Shares held by it will be counted towards public float.

As shown in the above table, we noted that the shareholding in the Company held by the existing minority Shareholders would be highly diluted from approximately 75.46% as at the Latest Practicable Date to approximately 25.04% immediately after the Completion. Nonetheless, having considered that (i) the Loan Capitalisation can relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and alleviate the net liabilities position of the Group; and (iii) the Subscription Price being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the existing minority Shareholders to be acceptable.

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7. The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it holds 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and parties acting in concert with it will increase to approximately 74.96% of the issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive.

The Subscriber has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders in person or by proxy by way of poll in respect of the Whitewash Waiver and the underlying transactions (i.e. the Subscription, the Loan Capitalisation and the Specific Mandate), at the EGM. If the Whitewash Waiver is approved by the Independent Shareholders and the Subscription proceeds to completion, the shareholding of the Subscriber in the Company will exceed 50% upon the allotment and issue of the Subscription Shares. The Subscriber may further increase its shareholding in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Based on our analysis of the benefits and terms of the Subscription, we consider that the Subscription is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Subscription, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of proceeding with the Subscription.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- after deducting the one-off gain on disposal of the subsidiary in 2023, the Group has been loss-making for more than five financial years. As at 31 December 2023, the Group had net liabilities attributable to the Shareholders of approximately RMB432.6 million and borrowings of approximately RMB471.2 million. Although the Group's gearing ratio for FY2023 has improved compared to FY2022, it still remained high;
- the Group is not able to raise fund effectively through debt financing, placing, rights issue and open offer as discussed in the section headed "Reasons and benefits for the Subscription";
- Although the Shareholder's Loans had repayment dates ranging from 13 January 2025 to 25 December 2026, the Group can save interest expenses by capitalising the Shareholder's Loans;

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- the Subscription Price is fair and reasonable after considering the following:
 - the thin trading liquidity of the Shares during the Review Period;
 - it is not an uncommon market practice that the subscription price represents a discount to the closing share price prior to the last trading day for debt capitalisation;
 - the discount of the subscription price could encourage the creditor to settle the debt by capitalisation;
 - the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the average closing prices of the Shares for the last five trading days and the last ten trading days prior to the date of the Subscription Agreement are within the ranges of those of the Comparable Transactions, but higher than the average and median discounts of the Comparable Transactions;
 - except for First Capital, the other companies in the Comparable Transactions were in net asset position as at the date of the respective subscription agreements. In addition, the percentage of average daily trading volume of the Shares to total number of Shares in issue for the one year prior to the date of the Subscription Agreement is lower than the average and median percentages of the Comparable Transactions. In view of the Group's weaker financial position and trading liquidity, we consider the higher discounts represented by the Subscription Price than the average and median discounts of the Comparable Transactions are justifiable, fair and reasonable;
 - the discounts represented by the Subscription Price are lower than those of Da Sen and HG Semiconductor, in which the subscriptions also required shareholders' approval and the subscribers enhanced shareholding interest or became the largest shareholder after completion of the subscriptions; and
 - The implied P/S of the Company is generally close to the average P/S of the Comparable Companies;
- The shareholding of the Subscriber and parties acting in concert with it will increase from approximately 24.54% to approximately 74.96% of the issued share capital of the Company upon Completion. The dilution effect on the shareholding interests of existing minority Shareholders is considered to be acceptable given that the Subscription Price is fair and reasonable as mentioned above and the Subscription does not result in a theoretical dilution effect of 25% or more on its own, complying with the Listing Rules; and
- the Subscription is expected to improve the liquidity and gearing of the Group, which is in line with the interests of Shareholders.

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Based on the above, we consider that the Subscription is on normal commercial terms, and the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Subscription and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

1. FINANCIAL SUMMARY

The Company is required to set out or refer to in this circular the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements for the three years ended 31 December 2023 as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 December 2021; (ii) audited consolidated financial statements of the Group for the year ended 31 December 2022; and (iii) audited consolidated financial statements of the Group for the year ended 31 December 2023, together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information.

The consolidated financial statements of the Group for the year ended 31 December 2021 are set out from page 42 to page 119 in the Company's annual report for the year ended 31 December 2021, which was published on 21 April 2022 and posted on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (www.hyjd.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100459.pdf>

The consolidated financial statements of the Group for the year ended 31 December 2022 are set out from page 43 to page 117 in the Company's annual report for the year ended 31 December 2022, which was published on 21 April 2023 and posted on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (www.hyjd.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042100607.pdf>

The consolidated financial statements of the Group for the year ended 31 December 2023 are set out from page 46 to page 116 in the Company's annual report for the year ended 31 December 2023, which was published on 25 April 2024 and posted on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (www.hyjd.com), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501010.pdf>

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2023 as extracted from the relevant annual reports of the Company:

	For the year ended 31 December		
	2021 (audited) RMB'000	2022 (audited) RMB'000	2023 (audited) RMB'000
Revenue	301,173	262,348	319,813
Profit/(loss) before tax	(62,154)	(137,514)	53,789
Income tax credit/(expense)	(25)	(311)	(79)
Profit/(loss) after tax	(62,179)	(137,825)	53,710
Profit/(loss) for the year/ period attributable to			
— Equity holders of the Company	(60,036)	(136,767)	55,854
— Non-controlling interests	(2,143)	(1,058)	(2,114)
Dividend	—	—	—
Earnings/(loss) per Share	(0.294)	(0.624)	0.255
Total comprehensive income/(loss) for the year attributable to			
— Equity holders of the Company	(60,036)	(136,767)	55,854
— Non-controlling interests	(2,143)	(1,058)	(2,144)

Save as disclosed above, the Group had no other material income or expense for the years ended 31 December 2023.

The auditor of the Company for the three years ended 31 December 2023 was Elite Partners CPA Limited. The audit opinions of Elite Partners CPA Limited in respect of the above years were not qualified nor modified.

No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditor of the Company in respect of the Group's audited consolidated financial statements for the three years ended 31 December 2023.

2. INDEBTEDNESS

As at the close of business on 29 February 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had:

- (a) unsecured other borrowing of approximately RMB360,387,594.68;
- (b) secured other borrowing of approximately RMB47,838,285.6; and
- (c) lease liabilities of approximately RMB20,712,065.00.

Secured borrowing and unsecured borrowings amounted to approximately RMB408,225,880.28 of which RMB408,225,880.28 was classified as non-current liabilities. Lease liabilities of approximately RMB20,712,065.00, representing the present value of the lease payments to be made by the Group as a lessee over the term of the lease. Such lease liabilities comprise current liabilities of RMB10,331,978.00 and non-current liabilities of RMB10,380,087.00.

3. MATERIAL CHANGES

The Directors confirm that, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

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 Company. 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.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of information (other than those relating to the Subscriber and the parties acting in concert with it) contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Subscriber in his capacity as such) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber, being Mr. Yuan Li, accepts full responsibility for the accuracy of the information relating to the Subscriber and parties acting in concert with it contained in this circular, and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately upon allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date other than the issue of the Subscription Shares) is as follows:

(i) Share capital as at the Latest Practicable Date

	Nominal value per Share	Number of Shares
Authorised:		
As at the Latest Practicable Date	US\$0.02	600,000,000
Issued and fully paid:		
As at the Latest Practicable Date	US\$0.02	263,135,692

- (ii) Share capital immediately upon Completion assuming that there is no other change in the issued share capital of the Company other than the issue of the Subscription Shares

	Nominal value per Share	Number of Shares
Authorised:		
As at Completion	US\$0.02	5,000,000,000
Issued and fully paid:		
As at the Latest Practicable Date	US\$0.02	263,135,692
Subscription Shares to be issued pursuant to the Subscription	US\$0.02	530,000,000
Shares in issue upon Completion	US\$0.02	793,135,692

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

On 14 January 2024, the Company entered into a subscription agreement with Yayue Longte Co., Limited for issuance and allotment of 43,855,948 Shares at HK\$0.69 each Share.

Save as provided above, no Share has been issued since 31 December 2023 (being the date on which the latest audited financial statement of the Company were made up) and up to the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

As at the Latest Practicable Date, save as disclosed above, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICE

The table below sets out the closing prices per Share as quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the period commencing on the date falling six months preceding 18 March 2024, being the date of the Announcement, up to and including the Latest Practicable Date (“**Relevant Period**”); (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing price per Share (HK\$)
29 September 2023	1.030
31 October 2023	1.320
30 November 2023	2.870
29 December 2023	2.120
31 January 2024	0.830
29 February 2024	0.500
15 March 2024 (being the Last Trading Day)	0.510
28 March 2024	0.495
26 April 2024 (being the Latest Practicable Date)	0.510

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$2.870 on 30 November 2023 and HK\$0.495 on 28 March 2024, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests of the Directors and the chief executives 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 the Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (d) were required to be disclosed under the Takeovers Code were as follows:

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Total number of Shares/ underlying Shares held	Approximate percentage of the issued Shares ^(Note 1)
Yuan Li ^(Note 2)	Beneficial Owner	64,565,624	64,565,624	24.54%

Notes:

1. These percentages are calculated based on 263,135,692 Shares in issue as at the date of this submission.
2. 64,565,624 Shares were held by Noble Trade International Holdings Limited (聖行國際集團有限公司) (“**Noble Trade International**”) as beneficial owner. Noble Trade International was wholly-owned by Mogen Ltd. (“**Mogen**”). Mogen is owned as to (i) 38.48% by Greatssjy Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021 which is wholly owned by Mr. Yuan Li, who is an executive Director; (ii) 14.06% by Xu Xinying Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021 which is wholly owned by Mr. Xu Xinying, who is an executive Director; (iii) 22.93% by Energystone Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021 which is wholly owned by Mr. Yuan Yang (袁揚), brother of Mr. Yuan Li; (iv) 2.96% by Zhuanglb Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021 which is wholly owned by Mr. Zhuang Liangbao, an executive Director; and the remaining by Independent Third Parties.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which 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 which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, or which were required to be disclosed under the Takeovers Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies / individuals had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in the corporation
Yuan Li ^(Note 1)	Interest of corporation controlled	64,565,624 (L)	24.54%
Mogen Ltd. ^(Note 1)	Interest of corporation controlled	64,565,624 (L)	24.54%
Noble Trade International Holdings Limited (聖行國際集團有限公司) ^(Note 1)	Beneficial owner	64,565,624 (L)	24.54%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in the corporation
Liu Yang (劉楊) <i>(Note 2)</i>	Interest of corporation controlled	43,855,948 (L)	16.67
Yayue Longte Co., Limited (亞悅隆特有限公司) <i>(Note 2)</i>	Beneficial owner	43,855,948 (L)	16.67
Shan Weiwei <i>(Note 3)</i>	Interest of corporation controlled by you	23,755,306	9.03
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) <i>(Note 3)</i>	Beneficial owner	23,755,306	9.03
Sun Yan <i>(Note 4)</i>	Interest of corporation controlled by you	23,400,210	8.89
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) <i>(Note 4)</i>	Beneficial owner	23,400,210	8.89

Notes:

- 64,565,624 Shares were held by Noble Trade International Holdings Limited (聖行國際集團有限公司) (“**Noble Trade International**”) as beneficial owner. Noble Trade International was wholly-owned by Mogen Ltd. (“**Mogen**”). Mogen is owned as to 38.48% by Greatssjy Co., Ltd., a company incorporated in the BVI with limited liability on 29 September 2021 which is wholly owned by Mr. Yuan Li, who is an executive Director.
- 43,855,948 Shares were held by Yayue Longte Co., Limited (亞悅隆特有限公司) (“**Yayue Longte**”) as beneficial owner. Yayue Longte was wholly-owned by Ms. Liu Yang.
- 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.
- 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 wholly-owned by Ms. Sun Yan.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

5. ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, the Subscriber has sold 436,000 Shares on the Stock Exchange on 15 January 2024, details of which are set out as below:

Actual Selling Price (HK\$)	Number of Shares	Amount (HK\$)
0.8	38,000	30,400
0.82	50,000	41,000
0.87	12,000	10,440
0.88	10,000	8,800
0.84	4,000	3,360
0.85529	14,000	11,974.06
1.36	22,000	29,920
1.3	30,000	39,000
1.28	60,000	76,800
1.2515	26,000	32,539
1.2279	38,000	46,660.2
1.2	20,000	24,000
1.23	32,000	39,360
1.25	60,000	75,000
1.211	20,000	24,220
Total	436,000	493,473.26

save for the above and the Subscription Agreement, none of the Subscriber or parties acting in concert with it has dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months immediately prior to the date of the Announcement and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, other than 64,565,624 Shares held by the Subscriber as disclosed in the section headed “EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY” in the Letter from the Board contained in this circular and all the transactions contemplated under the Subscription Agreement as disclosed in the section headed “THE SUBSCRIPTION AGREEMENT” in the Letter from the Board contained in this circular, neither the Subscriber nor any of parties acting or presumed to be acting in concert with it:

- (i) holds, owns, controls or directs any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company nor has entered into any outstanding derivatives in respect of the securities in the Company;
- (ii) has any agreement, arrangement or understanding pursuant to which the Subscription Shares would be transferred, charged or pledged to any other persons;

- (iii) has secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (iv) has any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contracts with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (v) has any agreement or arrangement to which the Subscriber or any of parties acting or presumed to be acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) has any agreement, arrangement or understanding (including any compensation arrangement) between (a) the Subscriber and parties acting or presumed to be acting in concert with it and (b) any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;
- (viii) has paid or will pay any other consideration, compensation or benefit in whatever form to the Company or any party acting in concert with it in connection with the Subscription, save for the aggregate Subscription Price;
- (ix) has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with the Company or any party acting in concert with it, save for the Subscription Agreement; and
- (x) has entered into any understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

As at the Latest Practicable Date,

- (i) save for the Subscription Agreement, there is no other understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholders and (b) the Company, its subsidiaries or associated companies;

- (ii) the Company had no shareholding interest or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Subscriber, nor had the Company dealt for value in any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (iii) save for the fact that the Subscriber was legally and beneficially owned as to 38.48% by Mr. Yuan Li (an executive Director), 14.06% by Mr. Xu Xinying (an executive Director), 22.93% by Mr. Yuan Yang (袁煬), brother of Mr. Yuan Li and 2.96% by Mr. Zhuang Liangbao (an executive Director), and those as disclosed in the paragraph headed “4. DISCLOSURE OF INTERESTS” in this appendix, none of the Directors or any persons acting in concert with them was interested in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and in any shares or other securities of the Subscriber. During the Relevant Period, none of the Directors or any persons acting in concert with them had dealt for value in any shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber;
- (iv) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers;
- (v) no person had any arrangement of the kind as described to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code;
- (vi) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (vii) other than the Subscriber, there are no other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and the Whitewash Waiver or are required, or indicated to the Company of his/her/its intention, to abstain from voting in the relevant resolutions at the EGM;
- (viii) neither the Company nor any of the Directors has borrowed or lent any shares and/or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ix) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver;

- (x) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription), the Specific Mandate and/or the Whitewash Waiver or otherwise connected with any of them; and
- (xi) save for the Subscription Agreement, there was no material contract which have been entered into by the Subscriber in which any Director has any material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within 6 months before the date of the Announcement and up to the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period; or (iv) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTOR'S INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023 (being the date of which the latest published audited financial statements of the Group were made up).

8. 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.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

10. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date, other than the Subscription Agreement:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director regarding any benefit to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreement or the Whitewash Waiver;
- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the Subscription Agreement or Whitewash Waiver otherwise connected with the Subscription Agreement or Whitewash Waiver; and
- (c) none of the Directors was materially interested in any contract entered into by the Subscriber.

11. 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

12. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

13. QUALIFICATION AND CONSENT OF EXPERT

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

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

The expert named above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up.

14. MATERIAL CONTRACTS

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

- a) the Subscription Agreement;
- b) The subscription agreement dated 14 January 2024 entered into between the Company and Yayue Longte Co., Limited, pursuant to which the Company has conditionally agreed to allot and issue, and Yayue Longte Co., Limited has conditionally agreed to subscribe for 43,855,948 new Shares of the Company under general mandate. The gross proceeds from the subscription amounted to HK\$30,260,604.12 and the net proceeds, after deduction of the related expenses, amounted to HK\$29,960,604.12;
- c) The agency agreement entered into by Shenzhen Qidian Education Technology Co., Ltd.* (深圳奇點求學科技有限公司) (“**Shenzhen Qidian**”), a subsidiary owned as to 75% by the Company, and Beijing Shengshang, an associate of Mr. Yuan Li and a connected person of the Company, on 28 August 2023, pursuant to which Shenzhen Qidian agreed to act as the agent for Beijing Shengshang in respect of the sales and promotion of its training courses and services and 25% of the income from the sales of Beijing Shengshang’s training courses and services by Shenzhen Qidian as agent will be paid as transaction fees to Beijing Shengshang within ten days after parties have agreed on the amount of the transaction fees;
- d) 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) (as the purchaser), an Independent Third Party and (i) Jiangsu Kuanrui Logistics Trade Development Co., Ltd.* (江蘇寬瑞物流貿易發展有限公司) (“**Jiangsu Kuanrui**”), an indirect wholly-owned subsidiary of the Company, and (ii) Yangzhou Jiuhao Electric Trading Co., Ltd.* (揚州久好電器商貿有限公司) (“**Yangzhou Jiuhao**”) (collectively as the vendors), an indirect wholly-owned subsidiary of the Company, in relation to the sale and purchase of certain industrial land use rights and the buildings and ancillary facilities. The consideration for the disposal is RMB82,580,000, inclusive of tax payable by Jiangsu Kuanrui and Yangzhou Jiuhao pursuant to the terms of the disposal agreement;

- e) 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) (as the vendor), an indirect wholly-owned subsidiary of the Company, and Beijing Xingyunliang Technology Co., Ltd. (北京星運良科技有限公司) (as the purchaser), an Independent Third Party, 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) at the consideration of RMB1.00; and
- f) The conditional acquisition agreement dated 23 August 2022 and a supplemental agreement dated 30 December 2022 entered into between the Company (as the purchaser) and a series of special purpose vehicles, namely Greatssjy Co., Ltd., Xu Xinying Co., Ltd., Zhuanglb Co., Ltd., Dopoint Co., Ltd., Top Vanguard Linkage Innotech Co., Ltd., Energystone Co., Ltd., Shengshangmingyue Co., Ltd., Chengshan Co., Ltd., Heimazhidi Co., Ltd., Guangsudoer Co., Ltd., Dixingjingliu Co., Ltd., Houyishengrong Co., Ltd. and Ms. Liu Shixiu (collectively as the vendors) in relation to sale of all the equities in Shengshang Entrepreneurial Services Co., Ltd. at the consideration of HK\$1,995,000,000. Other than Greatssjy Co., Ltd., Xu Xinying Co., Ltd., Zhuanglb Co., Ltd., Energystone Co., Ltd. and Shengshangmingyue Co., Ltd., the vendors are Independent Third Parties.

15. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, save for the disclosure made in the paragraph 3(a) headed “Interests of Directors and Chief Executives” in this Appendix, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The registered office of the Company is at The offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands; and the principal place of business in Hong Kong is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (e) The registered office of the Independent Financial Adviser is at Office No. 710, 7/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong.

- (f) The correspondence address of the Subscriber is at 19h Maxgrand Plaza, No.3 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (g) The correspondence address of Mr. Yuan Li is at No. 3602, Jingxing Sea Plaza, No. 3125 Linhai Avenue, Nanshan Street, Qianhai Shenzhen Shenzhen-Hong Kong Cooperation Zone, Nanshan District, Shenzhen, China.
- (h) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (i) The company secretary of the Company is Ms. Wong Yuen Ki, a manager of corporate services of Tricor Services Limited, an external service provider.
- (j) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the HKEXnews (<http://www.hkexnews.hk>), the SFC (www.sfc.hk) and the Company (www.hyjd.com) for a period of 14 days from the date of this circular up to and including the date of EGM:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the articles of association of the Subscriber;
- (c) the letter from the Board, the text of which is set out in this circular;
- (d) the letter from the Takeovers Code Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from the Listing Rules Independent Board Committee, the text of which is set out in this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (g) the consent letter as referred to in the paragraph headed "13. Qualification and Consent of Expert" in this circular;
- (h) the material contracts referred to in the paragraph headed "14. Material Contracts" in this circular;

- (i) the annual reports of the Company for the two financial years ended 31 December 2022 and 2023;
- (j) the Subscription Agreement; and
- (k) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China Qidian Guofeng Holdings Limited (the “**Company**”) will be held on Tuesday, 21 May 2024 at 10:00 a.m. at Conference Room, 11th Floor, Block 1, Wangjing Chengying Centre, Laiguangying West Road, Chaoyang District, Beijing, the PRC for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT,

- (a) the authorised share capital of the Company be increased from US\$12,000,000 divided into 600,000,000 shares of the Company (“**Shares**”) of US\$0.02 each to US\$100,000,000 divided into 5,000,000,000 Shares of US\$0.02 each by the creation of an additional 4,400,000,000 new Shares, which shall rank equally in all respects with the existing Shares (the “**Increase in Authorised Share Capital**”);
- (b) any one or more of the directors of the Company (the “**Director(s)**”) be and is/are hereby authorised to do all such acts and things and execute all such documents including under the seal of the Company if and where applicable as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”

2. “THAT subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 30 April 2024 (the “**Subscription Agreement**”, copy of which has been produced to this meeting marked “A” and initialled by the Chairman for the purpose of identification) entered into between the Company and Noble Trade International Holdings Limited (聖行國際集團有限公司) (the “**Subscriber**”) pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 530,000,000 new shares of the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.35 per Subscription Share (the “**Subscription Price**”):-

- (a) the Subscription Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber pursuant to the Subscription Agreement (the “**Specific Mandate**”), be and are hereby approved and the Directors be and are hereby authorised to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

SPECIAL RESOLUTION

3. “THAT,

- (a) subject to the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the executive director and any conditions that may be imposed thereon, the waiver of obligation on the part of the Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by the Subscriber and any parties acting in concert with him which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Whitewash Waiver**”), be and is hereby approved; and
- (b) any one or more of the Directors be and is/are authorised to do all such acts; and things and execute all such document as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

Yours faithfully,
For and on behalf of
China Qidian Guofeng Holdings Limited
Yuan Li
Chairman of the Board

Hong Kong, 30 April 2024

Notes:

1. Under the Takeovers Code (as defined in the Circular), the resolution number 3 above in relation to the Whitewash Waiver shall be approved by at least 75% of the independent vote that are cast either in person or by proxy by the Independent Shareholders (as defined in the Circular) at the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.
4. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be 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, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
5. In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The register of members of the Company will be closed from Friday, 17 May 2024 to Tuesday, 21 May 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with 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, not later than 4:30 p.m. on Thursday, 16 May 2024 for registration.
7. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an circular on the website of the Company at www.hyjd.com and on the Stock Exchange website at <http://www.hkexnews.com> notify shareholders of the Company of the date, time and place of the rescheduled meeting.
8. As at the date hereof, the Board comprises:

Executive Directors:

Mr. Yuan Li (*Chairman*)
Mr. Xu Xinying
Mr. Zhuang Liangbao

Independent non-executive Directors:

Mr. Zhang Yihua
Mr. Chen Rui
Mr. Fung Tak Choi

Non-executive Director:

Mr. Gu Changchao