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奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO EQUITY PLEDGE

On 22 May 2020, the Transferor (a wholly-owned subsidiary of the Company), the Transferee (a wholly-owned subsidiary of the Company), the Minority Shareholder, the Minority Shareholder Holdco and the Target Company entered into the Supplemental Agreement, pursuant to which, the Transferor shall transfer the Target Equity to the Transferee as part of the internal restructuring of the Group and the Transferee shall grant the Equity Pledge in favour of the Minority Shareholder as security for payment of the outstanding Contingent Consideration. Mr. Yuan Li, the Chairman and a substantial shareholder of the Company, will provide the Guarantee in favour of the Minority Shareholder and the Minority Shareholder Holdco as security for the performance of obligations by the Transferor and the Transferee in the event of default by the Transferor and the Transferee in the enforcement of the Equity Pledge.

IMPLICATIONS UNDER THE LISTING RULES

The Minority Shareholder Holdco is a substantial shareholder of the Target Company, holding 35% equity interest, and hence, a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules. The Minority Shareholder, being a director of the Target Company and a substantial shareholder of the Minority Shareholder Holdco, is also a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules.

Accordingly, the Equity Pledge contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In light of the fact that the Supplemental Agreement and the Equity Pledge contemplated thereunder have been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Supplemental Agreement and the Equity Pledge contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Supplemental Agreement and the Equity Pledge contemplated thereunder will constitute a connected transaction which are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

On 22 May 2020, the Transferor (a wholly-owned subsidiary of the Company), the Transferee (a wholly-owned subsidiary of the Company), the Minority Shareholder, the Minority Shareholder Holdco and the Target Company entered into the Supplemental Agreement, pursuant to which, the Transferor shall transfer the Target Equity to the Transferee as part of the internal restructuring of the Group and the Transferee shall grant the Equity Pledge in favour of the Minority Shareholder as security for payment of the outstanding Contingent Consideration. Mr. Yuan Li, the Chairman and a substantial shareholder of the Company, will provide the Guarantee in favour of the Minority Shareholder and the Minority Shareholder Holdco as security for the performance of obligations by the Transferor and the Transferee in the event of default by the Transferor and the Transferee in the enforcement of the Equity Pledge.

Details of the Supplemental Agreement are set out below:

Date: 22 May 2020

Parties:

- (1) the Transferor, a wholly-owned subsidiary of the Company
- (2) the Transferee, a wholly-owned subsidiary of the Company
- (3) the Minority Shareholder
- (4) the Minority Shareholder Holdco, a company owned by the Minority Shareholder and his wife as to 90% and 10%, respectively
- (5) the Target Company, a non-wholly-owned subsidiary of the Company

Transfer of Target Equity: The Transferor shall transfer the Target Equity together with all rights and obligations thereon and all of its rights and obligations under the Co-Operation Agreement to the Transferee. The parties shall agree and consent to such transfer and obtain all necessary internal authorization to approve such transfer. The Transferor shall guarantee the performance by the Transferee of any of its rights and obligations under the Co-Operation Agreement.

Equity Pledge: The Transferor and the Transferee jointly agree to settle the outstanding Contingent Consideration in accordance with the Co-Operation Agreement within three years from the registration of transfer of the Target Equity to the Transferee. As security for timely payment of the outstanding Contingent Consideration, the Transferee agrees to grant the Equity Pledge in favour of the Minority Shareholder. In the event that the Transferee and the Transferor fail to settle the outstanding Contingent Consideration within the next three years, the Minority Shareholder shall be entitled to enforce the Equity Pledge and dispose of the Target Equity. Upon enforcement of the Equity Pledge, the liability of the Transferor and the Transferee under the Co-Operation Agreement shall be deemed as fully discharged, regardless of the sale proceeds of the enforcement.

Guarantee: In the event of default by the Transferor and the Transferee in the enforcement of the Equity Pledge, Mr. Yuan Li, the Chairman and a substantial shareholder of the Company, will provide the Guarantee in favour of the Minority Shareholder and the Minority Shareholder Holdco as security for the performance of obligations by the Transferor and the Transferee for enforcement of the Equity Pledge.

The Guarantee to be provided by Mr. Yuan Li, the Chairman and a substantial shareholder of the Company, will constitute financial assistance to be provided by a connected person for the benefit of the Group. As the Guarantee is on normal

commercial terms or better and no security over the assets of the Group will be granted in respect of the Guarantee, the provision of the Guarantee is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

INFORMATION ON THE TARGET COMPANY

The Target Company, a company established in the PRC by the Transferor and the Minority Shareholder in September 2010 pursuant to the Co-Operation Agreement, is principally engaged in retail of household appliances in Anhui Province, the PRC. As at the date of this announcement, the Target Company is owned by the Transferor and the Minority Shareholder Holdco as to 65% and 35%, respectively.

As at 31 December 2019, the book value of the Target Equity was RMB66,560,000. The net profits (both before and after tax) of the Target Company for the financial years ended 31 December 2018 and 2019 are set out below:

	For the year ended 31 December	
	2018	2019
	<i>RMB</i>	<i>RMB</i>
Profit/(loss) before taxation	5,329,972	(1,998,003)
Profit/(loss) after taxation	5,273,363	(1,989,657)

INFORMATION ON THE MINORITY SHAREHOLDER AND THE MINORITY SHAREHOLDER HOLDCO

The Minority Shareholder is a PRC national who has near 30 years' experience in the retail of household appliances in Anhui Province, the PRC. The Minority Shareholder has served as a director, the chairman of the board and the legal representative of the Target Company since 2010.

The Minority Shareholder Holdco is a company established in the PRC and is owned by the Minority Shareholder and his wife as to 90% and 10%, respectively. It is principally engaged in commercial project investment and information consulting services.

The Minority Shareholder Holdco is a substantial shareholder of the Target Company, holding 35% equity interest, and hence, a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules. The Minority Shareholder, being a director of the Target Company and a substantial shareholder of the Minority Shareholder Holdco, is also a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP, THE TRANSFEROR AND THE TRANSFEREE

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

The Transferor, a wholly-owned subsidiary of the Company, is established in the PRC and principally engaged in bulk distribution sales and provision of after-sales services of household appliances.

The Transferee, a wholly-owned subsidiary of the Company, is established in the PRC and principally engaged in sales of home appliances, computers and auxiliary equipment.

REASONS FOR THE BENEFITS OF THE SUPPLEMENTAL AGREEMENT AND THE EQUITY PLEDGE CONTEMPLATED THEREUNDER

Reference is made to the Announcements in relation to the formation and capital injection of the Target Company. Pursuant to the Co-Operation Agreement, the Minority Shareholder shall be entitled to the consideration and the bonus consideration, collectively the Contingent Consideration, to be determined with reference to the audited net operating profit (after taxation) of the Target Company for the initial years after its commencement of business. The Company has recorded other liabilities in the amount of RMB53,560,000 as at 31 December 2019, representing the estimated amount of the Contingent Consideration payable to the Minority Shareholder. However, as at the date of this announcement, the amount payable under the Contingent Consideration are still subject to final negotiation with the Minority Shareholder and might be further adjusted when the parties reach an agreement.

As part of the internal restructuring of the Group, the Company intends to transfer the Target Equity together with all rights and obligations thereon and all of the rights and obligations of the Transferor under the Co-Operation Agreement from the Transferor, being a wholly-owned subsidiary of the Company, to the Transferee, being another wholly-owned subsidiary of the Company. The entering into of the Supplemental Agreement and the Equity Pledge contemplated thereunder will facilitate the implementation of the internal restructuring of the Group and the future negotiation with the Minority Shareholder and the settlement of the outstanding Contingent Consideration.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Supplemental Agreement and the Equity Pledge contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Minority Shareholder Holdco is a substantial shareholder of the Target Company, holding 35% equity interest, and hence, a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules. The Minority Shareholder, being a director of the Target Company and a substantial shareholder of the Minority Shareholder Holdco, is also a connected person at subsidiary level of the Company under Chapter 14A of the Listing Rules.

Accordingly, the Equity Pledge contemplated under the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. In light of the fact that the Supplemental Agreement and the Equity Pledge contemplated thereunder have been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Supplemental Agreement and the Equity Pledge contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Supplemental Agreement and the Equity Pledge contemplated thereunder will constitute a connected transaction which are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in the Supplemental Agreement and the Equity Pledge contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the Supplemental Agreement and the Equity Pledge contemplated thereunder.

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 20 September 2010 and 7 January 2011, respectively, in relation to, among others, the formation of the Target Company and the increase in registered capital of the Target Company
“Board”	the board of Directors

“Company”	Qidian International Co., Ltd. (奇点国际有限公司) (Stock Code: 1280), a company incorporated in the Cayman Islands with limited liability, the shares of which is listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Contingent Consideration”	the consideration and the bonus consideration to be determined with reference to the audited net operating profit (after taxation) of the Target Company for the initial years after its commencement of business pursuant to the Co-Operation Agreement, the amount payables under which are still subject to final negotiation with the Minority Shareholder and might be further adjusted when the parties reach an agreement
“Co-Operation Agreement”	the Co-Operation Agreement dated 20 September 2010 entered into between, among others, the Transferor and the Minority Shareholder in relation to, among others, the formation and operation of the Target Company
“Director(s)”	the director(s) of the Company
“Equity Pledge”	the proposed pledge of 65% equity interest to be held by the Transferee in favour of the Minority Shareholder as security for payment of the Contingent Consideration upon completion of the transfer of the Target Equity
“Guarantee”	the personal guarantee to be provided by Mr. Yuan Li in favour of the Minority Shareholder and the Minority Shareholder Holdco as security for the performance of obligations by the Transferor and the Transferee in the event of default by the Transferor and the Transferee in the enforcement of the Equity Pledge
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Minority Shareholder”	Mr. Jin Zhenlin
“Minority Shareholder Holdco”	Huainan City Jianle Investment Co., Ltd.* (淮南市健樂投資有限公司), a company owned by the Minority Shareholder and his wife as to 90% and 10%, respectively
“PRC”	the People’s Republic of China excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholder(s) of the Company
“Share(s)”	ordinary shares of the Company with a nominal value of US\$0.02 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Co-Operation Agreement dated 22 May 2020 entered into between the Transferor, the Transferee, the Minority Shareholder, the Minority Shareholder Holdco, and the Target Company
“Target Company”	Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd.* (安徽四海匯銀家電銷售有限公司), the company established by the Transferor and the Minority Shareholder pursuant to the Co-Operation Agreement and an indirect non-wholly-owned subsidiary of the Company
“Target Equity”	the 65% equity interest in the Target Company indirectly held by the Company, representing RMB32,500,000 in the registered capital of the Target Company

“Transferee” Yangzhou Huiyin Commerce Chain Co., Ltd.*
(揚州匯銀商業連鎖有限公司), a wholly-owned subsidiary of the Company

“Transferor” Yangzhou Yangzhou Huiyin Technology Group Co., Ltd.* (揚州匯銀科技集團有限公司), a wholly owned subsidiary of the Company

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

Yangzhou, PRC, 22 May 2020

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

** For identification purpose only*