奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

1. Revenue for 2020 was approximately RMB351.7 million, representing a decrease of 25.3% from approximately RMB470.7 million for 2019, mainly attributable to the impact of COVID-19 pandemic.

2. Gross profit margin for 2020 was 6.6%, while that of 2019 was 8.2%.

3. Operating loss for 2020 was approximately RMB63.5 million, while there was operating loss of approximately RMB94.8 million for 2019.

4. Loss for 2020 was approximately RMB85.0 million, while there was loss of approximately RMB108.9 million for 2019.

The board (the "**Board**") of directors (the "**Directors**") of Qidian International Co., Ltd. (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	4	**351,727**	470,731
Cost of sales and services		**(328,370)**	(432,017)
Gross profit		**23,357**	38,714
Other income		**5,194**	8,983
Other net gain		**5,688**	5,298
Impairment losses on trade and other receivables, net		**(1,643)**	(5,752)
Selling and marketing expenses		**(50,030)**	(77,382)
Administrative expenses		**(46,051)**	(64,648)
Operating loss		**(63,485)**	(94,787)
Finance income		**544**	368
Finance costs		**(21,990)**	(14,495)
Net finance costs		**(21,446)**	(14,127)
Share of loss of a joint venture		**—**	—
Share of loss of an associate		**—**	—
Loss before tax	7	**(84,931)**	(108,914)
Income tax (expense)/credit	8	**(21)**	4
Loss for the year		**(84,952)**	(108,910)
Attributable to:			
– Owners of the Company		**(83,214)**	(108,837)
– Non-controlling interests		**(1,738)**	(73)
		(84,952)	(108,910)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
– Basic	9	**(0.552)**	(0.858)
– Diluted	9	**(0.552)**	(0.858)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(84,952)**	(108,910)
Other comprehensive income or loss for the year	**—**	—
Total comprehensive expense for the year	**(84,952)**	(108,910)
Attributable to:		
– Owners of the Company	**(83,214)**	(108,837)
– Non-controlling interest	**(1,738)**	(73)
	(84,952)	(108,910)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**124,448**	137,650
Right-of-use assets		**65,692**	89,207
Investment properties		**50,665**	39,022
Intangible assets		**1,191**	1,340
Interest in joint venture		**—**	—
Interests in associates		**—**	—
Equity investment designated at fair value through other comprehensive income		**600**	600
Total non-current assets		**242,596**	267,819
Current assets			
Inventories		**56,063**	77,251
Trade and bills receivables	5	**10,698**	8,878
Prepayments, deposits and other receivables		**54,412**	74,794
Restricted bank deposits		**14,438**	23,242
Cash and cash equivalents		**36,457**	23,677
Total current assets		**172,068**	207,842
Total assets		**414,664**	475,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**24,512**	16,766
Reserves		**(350,966)**	(319,289)
		(326,454)	(302,523)
Non-controlling interests		**20,987**	22,725
Total equity		**(305,467)**	(279,798)
LIABILITIES			
Non-current liabilities			
Borrowings		**373,027**	59,646
Lease liabilities		**34,048**	50,028
Provision for reinstatement costs		**648**	620
Total non-current liabilities		**407,723**	110,294
Current liabilities			
Trade and bills payables	6	**127,198**	131,125
Accruals and other payables		**50,569**	44,257
Contract liabilities		**26,130**	29,350
Lease liabilities		**17,316**	20,157
Borrowings		**27,579**	363,957
Tax liabilities		**—**	7
Other current liabilities		**53,560**	53,560
Provision for litigations		**9,972**	2,566
Provision for reinstatement costs		**84**	186
Total current liabilities		**312,408**	645,165
Total liabilities		**720,131**	755,459
Total equity and liabilities		**414,664**	475,661

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. On 3 January 2020, the Company changed its name from Huiyin Smart Community Co., Ltd. to Qidian International Co., Ltd..

The Company is principally engaged in investment holding. The principal activities of the Group are mainly the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of preparation *(continued)*

The consolidated financial statements have been prepared under the historical cost convention, by except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in associates and joint venture.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2.2 Going concern basis

The Group incurred a loss of RMB84,952,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RMB140,340,000 and the Group's total liabilities exceeded its total assets by RMB305,467,000.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

In preparing these consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the ongoing availability of finance to the Group. Notwithstanding the above, the Directors considered that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

The Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the foreseeable future after taking into consideration of the following:

a) On 24 December 2020, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company, and the Group was allowed not to make repayment of outstanding loans and accrued interest of approximately RMB134,082,000. Under the letter, the repayment date is not earlier than 30 June 2023. The original due dates for repayment of these outstanding loans and accrued interest are between March 2020 and February 2022, and was extended to 30 April 2022 on 24 December 2019.

b) On 30 December 2020, Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) ("Chongqing Saint"), the parent company of a substantial shareholder (Noble Trade International Holdings Limited), of the Company has given an irrevocable undertaking that it would provide financial support to the Group to meet its financial obligations for a maximum amount of RMB330,000,000 for a period of 12 months from the date of approval of these consolidated financial statements.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

Based on the Directors of the Company are of the opinion that, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

* *for identification purpose only*

3 ACCOUNTING POLICIES

(A) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institution of Certificated Public ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3 ACCOUNTING POLICIES *(continued)*

(A) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

3 ACCOUNTING POLICIES *(continued)*

(A) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19- related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

4 REVENUE AND SEGMENT INFORMATION

(i) Revenue

The principal activities of the Group are mainly 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.

Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business		
– Household appliance	**343,806**	405,204
– Sales of mobile phones and computers	**2,795**	56,348
– New retail business	**—**	—
	346,601	461,552
Rendering of services		
– Maintenance and installation services	**5,126**	9,179
Total revenue	**351,727**	470,731

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**351,727**	470,731

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information

The chief operating decision-maker ("CODM"), being the executive Directors of the Company, reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments from a business line perspective based on the reports reviewed by the executive Directors that are used to make strategic decisions.

Geographical information is not presented as 100% of the Group's sales and business activities are conducted in the PRC.

The Group has presented the following three reportable segments. No operating segments have been aggregate to form the following reportable segment.

- Traditional business, including the results from sales of household appliances.

- New retail business, including the results from sales of imported merchandise and general merchandise. The Group scaled down the new retail business during the year.

- All other segments included the results from rendering maintenance and installation services.

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

The segment results for the year ended 31 December 2020 are as follows:

Segment results	Traditional business	New retail business	All other segments	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	346,601	—	5,126	—	351,727
Operating loss	(38,208)	—	(2,402)	(22,875)	(63,485)
Net finance costs					(21,446)
Share of loss of a joint venture					—
Share of loss of an associate					—
Loss before income tax					(84,931)
Income tax expense					(21)
Loss for the year					(84,952)
Other segment items are as follows:					
Depreciation charge	3,668	—	5	1,536	5,209
Amortisation charge	25,761	—	42	149	25,952
Reversal of write down of inventories	(7,957)	—	—	—	(7,957)
Impairment loss on trade receivables	1,518	—	125	—	1,643
Reversal of impairment loss on other receivables	(630)	—	(58)	(2,117)	(2,805)
Gain on disposal of property, plant and equipment and right-of-use assets	(2,921)	—	—	—	(2,921)
Reversal of impairment loss on prepayments to suppliers	(546)	—	—	—	(546)

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

The segment results for the year ended 31 December 2019 are as follows:

Segment results	Traditional business	New retail business	All other segments	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	461,552	—	9,179	—	470,731
Inter-segment revenue	—	—	—	—	—
Revenue from external customers	461,552	—	9,179	—	470,731
Operating loss	(74,118)	(495)	(905)	(19,269)	(94,787)
Net finance costs					(14,127)
Share of loss of a joint venture					—
Share of loss of an associate					—
Loss before income tax					(108,914)
Income tax expense					4
Loss for the year					(108,910)
Other segment items are as follows:					
Capital expenditure	1,569	—	4	—	1,573
Depreciation charge	6,943	12	9	—	6,964
Amortisation charge	22,670	—	255	8	22,933
Reversal of write down of inventories	(1,505)	—	—	—	(1,505)
Impairment loss on property, plant and equipment	240	19	—	—	259
Impairment loss on trade receivables	1,559	214	53	—	1,826
Impairment loss on other receivables	3,644	223	59	—	3,926
Reversal of impairment on prepayments to Suohai, Zhipu and Mei Zanying	16,256	6	—	—	16,262
Impairment loss on prepayments to other suppliers	9,866	(42)	(2)	—	9,822

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

Unallocated mainly represented the expenses incurred by the Group, such as certain key management compensation and exchange gains/(losses) arising from the bank deposits denominated in foreign currencies.

Capital expenditure comprises additions to land use rights, property, plant and equipment and intangible assets.

Segment assets and liabilities as at 31 December 2020 are as follows:

Segment assets and liabilities	**Traditional business**	**New retail business**	**All other segments**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**330,116**	**—**	**754**	**330,870**
Unallocated assets				**83,794**
Total assets				**414,664**
Segment liabilities	**656,384**	**—**	**215**	**656,599**
Unallocated liabilities				**63,532**
Total liabilities				**720,131**

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

Segment assets and liabilities as at 31 December 2019 are as follows:

Segment assets and liabilities	Traditional business *RMB'000*	New retail business *RMB'000*	All other segments *RMB'000*	Group *RMB'000*
Segment assets	465,899	—	4,702	470,601
Unallocated assets				5,060
Total assets				475,661
Segment liabilities	685,559	12,323	2,112	699,994
Unallocated liabilities				55,465
Total liabilities				755,459

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and mainly exclude restricted bank deposits pledged for bank borrowings and corporate assets of the management companies and investment holding companies.

Segment liabilities comprise operating liabilities and exclude items such as tax liabilities, corporate borrowings and corporate liabilities of the management companies and investment holding companies.

5 TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**29,314**	25,911
Less: Allowance for credit loss	**(18,876)**	(17,233)
Trade receivables, net	**10,438**	8,678
Bills receivable	**260**	200
Trade and bills receivables, net	**10,698**	8,878

The credit terms granted to customers by the Group ranges from 30 days to 90 days. The maturity of bills receivable ranges from 3 months to 6 months.

The ageing analysis of trade receivables based on invoice date, before allowance for credit loss as at the end of the reporting period is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 - 90 days	**5,781**	2,946
91 - 365 days	**4,410**	5,895
1 year - 2 years	**1,151**	3,289
2 years - 3 years	**3,316**	2,074
Over 3 years	**14,656**	11,707
Total	**29,314**	25,911

5 TRADE AND BILLS RECEIVABLES *(continued)*

All trade and bills receivables are denominated in RMB and their carrying amounts approximate their fair values as at the end of the reporting period.

The maximum exposures of the Group to credit risk from trade and bills receivables as at the end of the reporting period were the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

6 TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**112,770**	115,024
Bills payable	**14,428**	16,101
	127,198	131,125

Most of the principal suppliers require prepayment for goods purchase. The credit period granted by the Group's principal suppliers ranges from 15 to 60 days.

6 TRADE AND BILLS PAYABLES *(continued)*

Ageing analysis of trade payables based on invoice date as at the end of the reporting period is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 - 30 days	**7,179**	11,127
31 - 90 days	**2,076**	1,811
91 - 365 days	**5,936**	5,646
1 year - 2 years	**2,442**	75,823
2 years -3 years	**75,791**	18,301
Over 3 years	**19,346**	2,316
	112,770	115,024

The trade and bills payables are denominated in RMB and their carrying amounts approximate their fair values as at the end of the reporting period.

7 LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting)

	2020	2019
	RMB'000	*RMB'000*
Cost of sales and services	**328,370**	432,017
Employee benefit expenses (excluding share option scheme expenses)	**37,099**	53,497
Amortisation of right-of-use assets	**25,803**	22,779
Depreciation of property, plant and equipment	**4,194**	6,272
Depreciation of investment properties	**1,015**	692
Amortisation of intangible assets	**149**	154
Reversal of write down of inventories	**(7,957)**	(1,505)
Impairment loss on trade receivables	**1,643**	1,826
(Reversal of)/impairment loss on other receivables	**(2,805)**	3,926
Impairment loss on property, plant and equipment	**—**	259
(Reversal of)/impairment loss on prepayments to other suppliers	**(546)**	9,822
Auditor's remuneration	**1,736**	4,270
Lease payments not included in the measurement of lease liabilities	**—**	1,983
(Gain)/loss on disposal of property, plant and equipment and right-of-use assets	**(2,921)**	16,262

8 INCOME TAX (EXPENSES)/CREDIT

	2020	2019
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
Provision for the year	**(36)**	(69)
Over-provision in prior year	**15**	73
	(21)	4

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year (2019: Nil).

(b) PRC EIT

Under the EIT Law of the PRC, the EIT rate applicable to subsidiaries located in Mainland China is 25% (2019: 25%).

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(83,214)**	(108,837)
	'000	*'000*
Weighted average number of ordinary shares in issue	**150,656**	126,898
Basic loss per share (RMB)	**(0.552)**	(0.858)

The weighted average number of ordinary shares for the purpose of basis loss per shares has been adjusted for Share Consolidation in January 2020.

(b) Diluted

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 did not assume the exercise of share options and settlement in ordinary shares for the other liabilities arising from the contingent consideration arrangements in prior years as their assumed exercise would decrease the loss per share for both years.

10 DIVIDENDS

No interim dividend was declared by the Company during the year (2019: Nil) and the Board of Directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Elite Partners CPA Limited was engaged to audit the consolidated financial statements of the Group and an unmodified opinion was issued. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2020:

Opinion

We have audited the consolidated financial statements of Qidian International Co., Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2020, the COVID-19 pandemic has had an unprecedented impact on the global economy, especially on retail enterprises whose main channels are physical stores. However, under a series of effective prevention and control policies in the People's Republic of China (the "**PRC**" or "**China**"), the domestic economic situation undergone an upturn from downward spiral and recovered steadily, and the overall economy is recovering with a good momentum of growth.

BUSINESS REVIEW

During the year ended 31 December 2020 (the "**reporting period**"), as a home appliance retail enterprise based in Southern Region of China, the customer traffic flow of the stores operated by the Group was significantly affected by the pandemic and floods, recording a notable decrease as compared with the corresponding period in the previous years. Since the market expansion has been severely affected under the special challenges posed by the pandemic and floods, the Group decided to make assessment of the current situation and carried out an in-depth analysis of its strengths and weaknesses. Based on the principles of strengths and experience concentration and cost optimization, not only did it gain constant optimization and improvement in cross-industry alliances, after-sales and logistics support, corporate culture, information system, digitalization, internal control system and other aspects, but also promoted the reform of the Group giving priority to the following four tasks:

1. **EFFECTIVELY INTEGRATING THE SUBSIDIARY MANAGEMENT EXPERIENCE**

   As a well-known home appliance operator in Anhui area, Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd ("**Anhui Four Seas**"), a subsidiary of the Group, has more extensive experience in home appliance operation, marketing capabilities and management as compared with stores in other regions. During the reporting period, the Group continued to promote integration and effective utilization of recourses, gave full play to the “1+1>2” synergistic effect, and optimized the management team by selecting outstanding talents from the Anhui Four Seas team to manage stores throughout Jiangsu area.

2. ACCELERATING LAYOUT IN LOWER-TIER MARKET IN RURAL AREA

Since the Group has been working on the exploration of the markets in the third- and fourth-tier cities, it has keenly seized the turning points that drive the growth of China’s rural market, which were brought by the new changes in national industry policies. Through empowering itself with data, traffic, service, warehousing, and logistics systems and leveraging on the accumulated experience and brand foundation, the Group has penetrated into the lower-tier rural markets and broadened rural distribution channels, hoping to further expand its share in rural markets.

3. DILIGENTLY PRACTICING THE CONCEPT OF COMFORTABLE HOME IN SELECTING HOME APPLIANCES

During the reporting period, while adhering to the concept of comfortable home and promoting the sale of green and environmentally friendly home appliances, the Group focused on selecting smart home appliances, and placed particular emphasis on the integration and systematic construction of technical functions of home appliances. At the same time, efforts were being made to improve return visit services, catering better for the needs of users for individualization and convenience. In addition, the Group also actively facilitated the application of smart home furnishing scenarios in stores to demonstrate the concept of comfortable home to customers in a more visualized manner, which has boosted customer demands and increased sales.

4. GEARING UP THE MARKET SHARE OF HEALTHCARE AND SMART HOME APPLIANCES

It has been more than ten years since the first round of "Home Appliances Going to the Countryside" in the PRC, during which the large home appliance market is evolving from expansion to optimization, and users' concerns are gradually transferring from basic functions to healthcare and smart appliances. It is expected that smart home appliances will usher in an all-round development amid the rapid spread of 5G mobile networks. The pandemic, in particular, has evoked the demand for healthcare and smart home appliances. In 2020, though many home appliance categories have experienced market shrinkage in different degrees with "declines in both sales volume and price", products such as disinfection cabinets, terminal water purification equipment, dishwashers and mites removal devices that are featuring disinfection and sterilization recorded notable increase in sales, which at the same time spurred the sales growth of large white appliances such as refrigerators with fresh-keeping and antibacterial functions, washing machines with high-temperature steaming and washing functions, and air conditioners with air-purification function. Moreover, the sales of small cooking appliances such as air fryer, grilling machine, stand mixer, and high-speed blender also soared.

The Group adjusted its product selection strategy in a timely manner. Under the policy of building a smart home ecosystem, the Group increased the selection of healthy and smart home appliances, focusing on the health and smart functionality and personalized needs of the products, and continued to optimize the supply chain.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was approximately RMB351.7 million, representing a decrease of 25.3% from approximately RMB470.7 million for the year ended 31 December 2019, which is mainly attributable to the impact of COVID-19 pandemic.

Turnover of the Group comprises revenues as follows:

	2020	2019
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business	**346,601**	461,552
– New retail business	**—**	—
	346,601	461,552
Rendering of services		
– Maintenance and installation services	**5,126**	9,179
Total revenue	**351,727**	470,731

Cost of sales and services

For the year ended 31 December 2020, the cost of sales and service was approximately RMB328.4 million, decreased by 24.0% from that of approximately RMB432.0 million for the year ended 31 December 2019, which was due to the decrease in sales volume.

Gross profit

For the year ended 31 December 2020, the gross profit was approximately RMB23.4 million, decreased by 39.7% from that of RMB38.7 million for the year ended 31 December 2019.

Other income

For the year ended 31 December 2020, other income recorded by the Group amounted to approximately RMB5.2 million, in comparison to other income of approximately RMB9.0 million for the year ended 31 December 2019.

Other net gain

For the year ended 31 December 2020, the Group recorded other net gain of approximately RMB5.7 million, in comparison to other net gain of approximately RMB5.3 million for the year ended 31 December 2019.

Selling and marketing expenses

For the year ended 31 December 2020, the Group's total selling and marketing expenses amounted to approximately RMB50.0 million, representing a decrease by 35.3% from approximately RMB77.4 million for for the year ended 31 December 2019.

Administrative expenses

For the year ended 31 December 2020, the Group's total administrative expenses amounted to approximately RMB46.1 million, decreased by 28.8% from approximately RMB64.6 million for the year ended 31 December 2019.

Operating loss

For the year ended 31 December 2020, the operating loss amounted to approximately RMB63.5 million, decreased by 33.0% from approximately RMB94.8 million for the year ended 31 December 2019.

Net finance costs

For the year ended 31 December 2020, the net financial costs of the Group amounted to approximately RMB21.4 million, representing an increase by 51.8% in comparison to approximately RMB14.1 million for the year ended 31 December 2019 which were mainly due to the waiver of interest payments of RMB18.9 million by a lender in 2019.

Loss before tax

For the year ended 31 December 2020, the loss before income tax amounted to approximately RMB84.9 million, while the loss before income tax was approximately RMB108.9 million for the year ended 31 December 2019.

Income tax (expense)/credit

For the year ended 31 December 2020, the income tax expense of the Group amounted to approximately RMB21,000, while the income tax credit was approximately RMB4,000 for the year ended 31 December 2019.

Loss attributable to equity holders of the Company

The loss of attributable to equity holders of the Company for the year ended 31 December 2020 was approximately RMB83.2 million, while the loss attributable to equity holders amounted to approximately RMB108.8 million for the year ended 31 December 2019.

Cash and cash equivalents

At 31 December 2020, the Group's cash and cash equivalents were approximately RMB36.5 million, representing an increase of 54.0% from approximately RMB23.7 million as at 31 December 2019.

Inventories

At 31 December 2020, the Group's inventories amounted to approximately RMB56.1 million, representing a decrease of 27.4% from RMB77.3 million as at 31 December 2019.

Prepayments, deposits and other receivables

At 31 December 2020, prepayments, deposits and other receivables of the Group amounted to approximately RMB54.4 million, representing a decrease of 27.3% from approximately RMB74.8 million as at 31 December 2019, which was mainly due to the prepaid rentals were reclassified as right-of-use assets in 2020 and the decrease in value added tax receivable as resulted from the decrease in business volume.

Trade and bills receivables

At 31 December 2020, trade and bills receivables of the Group amounted to approximately RMB10.7 million, representing an increase of 20.5% from approximately RMB8.9 million as at 31 December 2019.

Trade and bills payables

At 31 December 2020, trade and bills payables of the Group amounted to approximately RMB127.2 million, representing a decrease of 3.0% from approximately RMB131.1 million as at 31 December 2019.

Gearing ratio and the basis of calculation

At 31 December 2020, gearing ratio of the Group was 173.7%, increased from that of 158.8% as at 31 December 2019. The gearing ratio is equal to total liabilities divided by the sum of total equity and total liabilities.

Liquidity and financial resources

For the year ended 31 December 2020, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2020, the borrowings of the Group amounted to RMB366.9 million, representing a decrease of 6.9% from RMB394.1 million as at 31 December 2019.

Pledge of assets

At 31 December 2020, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB113 million had been pledged (2019: RMB191.0 million).

Investment properties

The Group's investment properties as of 31 December 2020 and 31 December 2019 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2020 and 31 December 2019 are as follows:

Address	Existing Use	Term of Lease
Guangling Industrial Park, Building 6, West of Shawan Road on the south side of Yinyan Road in Guangling Industrial Park (Huiyin Home Appliances), Jiangsu, PRC	Shop and Warehouse	Medium-term lease
Buildings 4, 5 and 6, No. 18 Gudu Road, Yangzhou Economic & Technology Development Zone, Jiangsu, PRC	Warehouse	Medium-term lease
Building 7, No. 18 Gudu Road, Yangzhou Economic & Technology Development Zone, Jiangsu, PRC	Warehouse	Medium-term lease
Building 6-10, No. 277 Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu, PRC	Shop	Medium-term lease

Litigations made by the Group against suppliers

During the year ended 31 December 2020, the Group continued the legal proceedings against two suppliers namely Yangzhou Suohai Electronics Co. Limited ("**Suohai**") and Jiangsu Zhipu Electronics Appliance Co. Ltd. ("**Zhipu**") for recovery of prepayments totaling RMB355,371,000 made to them in previous years. In view of the uncertainty of the legal proceedings and the difficulties in enforcing the judgement against Suohai and Zhipu, the prepayments were fully written off in 2018. There were outstanding amounts of RMB58,911,000 arising from purchases of goods from Suohai and Zhipu made in previous years which were included in the trade payable as stated in the consolidated financial statements. Up to the date of approval of these consolidated financial statements, the litigations are still in the trial.

Foreign currencies and treasury policy

All the income and the majority of expenses of the Group were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

Final dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed with reference to the prevailing market rates in the region. Our management receives a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments.

The remuneration of our other employees comprises basic salary and an attractive sum of monthly performance bonuses. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, our Group participates in different social welfare plans for our employees.

Human resources

At 31 December 2020, the Group had 275 employees, decreased by 42.7% from 480 employees as at 31 December 2019.

OUTLOOK

2021 sees the start of the "14th Five-Year Plan". Looking ahead to 2021, China's economy will continue to recover with strong momentum and is expected to return to normal levels, with the annual GDP growth is expected to rebound significantly on the basis of low base effect. Looking at the home appliance industry as a whole, as driven by the gradual recovery of completion of real estate, favorable industry policies and others, its fundamentals will steadily improve. Based on the assessment of the macroeconomic situation and the positive trend of industry recovery, and with reference to the recent industry policies issued by the government, the Group will focus its effort on the following areas in the future:

1. CONTINUING TO CAPTURE INCREMENTAL MARKET

On 17 July 2020, the Ministry of Agriculture and Rural Affairs issued the National Rural Industry Development Plan (2020-2025) (《全國鄉村產業發展規劃 (2020-2025年)》). On 18 November 2020, Li Keqiang, Premier of the State Council, presided over the executive meeting of the State Council, which calls for the promotion of home appliance consumption and encourages rural consumption with an emphasis on expanding consumption in counties, villages and townships. 12 departments including the Ministry of Commerce and the National Development and Reform Commission jointly issued a Notice on Several Measures to Boost Bulk Consumption with Key Consumption and Promote the Release of Rural Consumption Potential (《關於提振大宗消費重點消費促進釋放農村消費潛力若干措施的通知》) on 5 January 2021.

Under the background that the government has enacted multiple policies supporting the development of lower-tier rural market, the Group will further explore the potential market with the implementation of national policies concerning home appliances reaches the countryside, encouraging replacement of old appliances with new ones and consumption upgrades, and continue to deploy rural warehousing and logistics system, and improve aftersales service platform to continuously expand the lower-tier markets in rural area to gain incremental market share.

2. IMPLEMENTING NEW MARKETING TRANSFORMATION

Since 2020, new marketing methods such as live commerce and 3D scene-based shopping have been applied to the home appliance market, and has played a positive role in promoting the recovery of the home appliance market. With the popularity of social e-commerce and the rise of content delivery models, it has brought about changes in socialization, digitalization and internet delivery. The passive search-shopping pattern of traditional e-commerce has changed to the active influencing pattern of live video streaming or content e-commerce. Taking advantage of the opportunities, the Group will explore a marketing model appropriate to its characteristics based on the product features of each store. It will combine offline stores with online live video streaming, adopt two marketing models of KOL and KOC (Key Opinion Customer) and introduce fixed-time live video streaming, so as to enhance the sales of hot items. In addition, offline stores live broadcast rooms, movie theaters and baking experience areas will be launched in due course to meet the more diversified demands of customers by way of video sharing and store amusements, with an aim to continuously improve sales performance.

3. ESTABLISHING A DATA PROCESSING MIDDLE PLATFORM TO PROMOTE DIGITAL-BASED RETAIL

The Group will continue to promote the digital transformation of retail stores, and establish a data processing middle platform to enable it to solve issues on information exchange and data sharing, which will lead to a more accurate and clearer category planning and more effective data analysis in marketing activities, thereby accelerating precise marketing decision and improving the efficiency of corporate competition. Additionally, the Group will accelerate the Uni Marketing through digitalization construction. Besides, with the data processing middle platform, customers profiles can be improved through robots and multi-channel layout, which helps to digitalize customer information and achieve precise positioning, precise marketing and customized development. Meanwhile, the Group will select smart home appliances, and realize digitalization of all the processes of sales, process logistics, and warehousing of home appliance retail by applying new technologies, so as to improve the commodity turnover efficiency and achieve retail value recreation. At the same time, the Group will attach great importance to improving the digital experience with customer needs as the core, and establish a complete experience closed-loop centering on customers and integrating display experience, communication, transaction and service. Endeavors will be made to achieve the diversification of terminal channels, the perfection of channel experience and the organic integration of online and offline buying.

4. EMBRACING THE TREND OF CONSUMPTION UPGRADE AND PRODUCT UPGRADE TO IMPLEMENT OFFERING CHANGE

Affected by the COVID-19 pandemic, the home appliance industry has shown a new trend of consumption upgrade and product upgrade. The sales of full-suite home appliances will also improve with the increasing demand for medium and high-end products attributable to the rapid growth of the number of middle-and high-income families and Chinese consumers' increasing demand for higher quality and high-end products (including new demand and replacement demand).

In the future, the Group will keep up with the new development trend of the industry explore the layout of customer-oriented multi-brand home appliances stratification and the marketing model of multi-brand full-suite home appliances in the family scenario. By optimizing the types of existing products and rolling out products for consumers at different ages, the Group will speed up the existing product innovation and enhance sales performance.

5. LEVERAGING ON OVERLAPPING BENEFITS FROM THE LATTER REAL ESTATE CYCLE AND THE UPGRADES AND REPLACEMENT OF HOME APPLIANCES TO INCREASE PRODUCT SALES

According to the industry data, the sales area of commodity properties achieved a year-on-year growth of 15.27% in October 2020. As a typical sector falling within the latter part of the real estate cycle, the home appliance industry is expected to maintain a relatively high level in 2021 in respect of its sales performance.

In addition, the Safe Service Life for Household Electrical Appliances (《家用電器安全使用年限》) formulated by China Household Electrical Appliances Association in 2020 points out that the safe service life of household refrigerators and air conditioners is ten years, while that of household washing machines and dryers is eight years. It has been nearly ten years since the demand for the first batch of "Home Appliances Going to the Countryside" and "Replacement of Old Appliances with New Ones" was released, during which lots of white appliances have been used for nearly eight to ten years. With a large number of appliances entering into the replacement cycle, it is expected that the demand for appliances upgrading and replacement in the future will be released intensively and become the endogenous power for the growth of the home appliance industry.

Based on the above, the Group will leverage on overlapping benefits from both the latter part of the real estate cycle and the industry attributes, make full use of the channel combining offline stores with online live video streaming, adjust the layout of product types, and better display home appliances by launching flagship stores and boutiques, so as to improve consumers' shopping experience and enhance sales performance.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Throughout the year ended 31 December 2020, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi, including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with Independent Non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

During the reporting year, the Audit Committee held four meetings to review the 2019 annual financial results, 2020 interim results and the proposal of change of auditor, all members of the Audit Committee had attended the meetings.

During the year ended 31 December 2020, the Board did not hold a different view from the Audit Committee on the appointment, designation or dismissal of external auditors.

During the year ended 31 December 2020, the Audit Committee also met the external auditor twice without the presence of the Executive Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2020 and has recommended its adoption by the Board.

The Group's consolidated financial statements have been audited by the Group's auditor, Elite Partners CPA Limited, and it has issued an unmodified opinion.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement(s) will be made by the Company in respect of the proposed date on which the forthcoming annual general meeting will be held and the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 will be dispatched to shareholders of the Company and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hyjd.com in due course. This announcement can also be accessed on the aforesaid websites.

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

Yangzhou, PRC, 22 March 2021

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