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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

1. Revenue for 2021 was approximately RMB301.2 million, representing a decrease of 14.4% from approximately RMB351.7 million for 2020, mainly attributable to the implementation of lockdown measures for more than a month in the major business premises Yangzhou due to the COVID-19 pandemic, the adjustment of income structure, the quality improvement of income and a reduction in income items with lower profits.
2. Gross profit margin for 2021 was 12.1%, while that of 2020 was 6.6%.
3. Operating loss for 2021 was approximately RMB38.7 million, while there was operating loss of approximately RMB63.5 million for 2020.
4. Loss for 2021 was approximately RMB62.2 million, while there was loss of approximately RMB85.0 million for 2020.

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 2021 together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | <i>Notes</i> | 2021 | 2020 |
|---|--------------|-----------------------|----------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 4 | 301,173 | 351,727 |
| Cost of sales and services | | (264,714) | (328,370) |
| Gross profit | | 36,459 | 23,357 |
| Other income | | 5,695 | 5,194 |
| Other net gain | | 1,996 | 5,688 |
| Impairment losses on trade receivables | | (1,131) | (1,643) |
| Selling and marketing expenses | | (49,329) | (50,030) |
| Administrative expenses | | (32,403) | (46,051) |
| Operating loss | | (38,713) | (63,485) |
| Finance income | | 156 | 544 |
| Finance costs | | (23,597) | (21,990) |
| Net finance costs | | (23,441) | (21,446) |
| Loss before tax | 7 | (62,154) | (84,931) |
| Income tax expense | 8 | (25) | (21) |
| Loss for the year | | (62,179) | (84,952) |
| Attributable to: | | | |
| – Owners of the Company | | (60,036) | (83,214) |
| – Non-controlling interests | | (2,143) | (1,738) |
| | | (62,179) | (84,952) |
| Loss per share for loss attributable to owners of the Company (expressed in RMB per share) | | | |
| – Basic | 9 | (0.294) | (0.552) |
| – Diluted | 9 | (0.294) | (0.552) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

| | 2021 | 2020 |
|----------------------------|------------------------|-----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Attributable to: | | |
| – Owners of the Company | (60,036) | (83,214) |
| – Non-controlling interest | (2,143) | (1,738) |
| | <u>(62,179)</u> | <u>(84,952)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | <i>Note</i> | 2021 | 2020 |
|--|-------------|-----------------------|----------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 128,893 | 124,448 |
| Right-of-use assets | | 65,707 | 65,692 |
| Investment properties | | 33,064 | 50,665 |
| Intangible assets | | 1,037 | 1,191 |
| Equity investment designated at fair value through other comprehensive income | | 600 | 600 |
| Total non-current assets | | 229,301 | 242,596 |
| Current assets | | | |
| Inventories | | 51,466 | 56,063 |
| Trade and bills receivables | 5 | 6,772 | 10,698 |
| Prepayments, deposits and other receivables | | 47,716 | 54,412 |
| Restricted bank deposits | | 10,600 | 14,438 |
| Cash and cash equivalents | | 14,619 | 36,457 |
| Total current assets | | 131,173 | 172,068 |
| Total assets | | 360,474 | 414,664 |

| | <i>Note</i> | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|-------------|--------------------------------------|------------------------|
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | | 29,174 | 24,512 |
| Reserves | | (380,909) | (350,966) |
| | | (351,735) | (326,454) |
| Non-controlling interests | | 18,844 | 20,987 |
| Total equity | | (332,891) | (305,467) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 270,626 | 373,027 |
| Lease liabilities | | 28,113 | 34,048 |
| Provision for reinstatement costs | | 486 | 648 |
| Total non-current liabilities | | 299,225 | 407,723 |
| Current liabilities | | | |
| Trade and bills payables | 6 | 127,717 | 127,198 |
| Accruals and other payables | | 40,365 | 50,569 |
| Contract liabilities | | 19,277 | 26,130 |
| Lease liabilities | | 16,781 | 17,316 |
| Borrowings | | 135,053 | 27,579 |
| Other current liabilities | | 53,560 | 53,560 |
| Provision for litigations | | 1,225 | 9,972 |
| Provision for reinstatement costs | | 162 | 84 |
| Total current liabilities | | 394,140 | 312,408 |
| Total liabilities | | 693,365 | 720,131 |
| Total equity and liabilities | | 360,474 | 414,664 |
| Net current liabilities | | 262,967 | 140,340 |

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 2021 comprise the Group.

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 RMB62,179,000 for the year ended 31 December 2021 (2020: RMB84,952,000) and, as of that date, the Group’s current liabilities exceeded its current assets by RMB262,967,000 (2020: RMB140,340,000) and the Group’s total liabilities exceeded its total assets by RMB332,891,000 (2020: 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 30 December 2021, 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 RMB400,000,000 for a period of 18 months from the date of approval of these consolidated financial statements.
- (b) On 4 January 2022, the Group obtained and draw down a loan with principal amount of RMB100,000,000 carrying an interest rate of 5% per annum from related company controlled by a substantial shareholder, available for the Group’s working capital and its financial obligations. Such credit facilities mature after twenty-four months from 4 January 2022.
- (c) The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs.

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.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

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 SIGNIFICANT ACCOUNTING POLICIES

(A) Application of amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|--|--|
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

The application of the amendments to HKFRSs in the current year has 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

(A) Application of amendments to HKFRSs (continued)

New and amendments to HKFRSs in issue but not yet effective

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 beyond 30 June 2021 | 1 April 2021 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| 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 8 | Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a single Transaction | 1 January 2023 |
| 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 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(A) Application of amendments to 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 beyond 30 June 2021

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19- related rent concessions from 30 June 2021 to 30 June 2022. As such, the use of the practical expedient is available to most rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances.

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

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Types of goods and services | | |
| Sales of goods | | |
| – Traditional business | | |
| – Household appliance | 297,021 | 343,806 |
| – Sales of mobile phones and computers | — | 2,795 |
| – New retail business | — | — |
| | <u>297,021</u> | <u>346,601</u> |
| Rendering of services | | |
| – Maintenance and installation services | 4,152 | 5,126 |
| | <u>4,152</u> | <u>5,126</u> |
| Total revenue | <u>301,173</u> | <u>351,727</u> |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Timing of revenue recognition | | |
| A point in time | <u>301,173</u> | <u>351,727</u> |

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 current and prior years.
- 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 2021 are as follows:

| Segment results | Traditional business <i>RMB'000</i> | New retail business <i>RMB'000</i> | All other segments <i>RMB'000</i> | Unallocated <i>RMB'000</i> | Group <i>RMB'000</i> |
|--|---|--|---|-------------------------------|-------------------------|
| Segment revenue | 297,021 | — | 4,152 | — | 301,173 |
| Operating loss | <u>(27,723)</u> | <u>—</u> | <u>(424)</u> | <u>(10,566)</u> | (38,713) |
| Net finance costs | | | | | <u>(23,441)</u> |
| Loss before tax | | | | | (62,154) |
| Income tax expense | | | | | <u>(25)</u> |
| Loss for the year | | | | | <u>(62,179)</u> |
| Other segment items are as follows: | | | | | |
| Depreciation charge | 6,330 | — | 9 | — | 6,339 |
| Amortisation charge | 24,743 | — | — | — | 24,743 |
| Write down of inventories | 961 | — | — | — | 961 |
| Impairment loss on trade receivables | 1,131 | — | — | — | 1,131 |
| Impairment loss on other receivables | 3,427 | — | — | — | 3,427 |
| Gain on disposal of property, plant and equipment and right-of-use assets | 135 | — | — | — | 135 |
| Impairment loss on prepayments to suppliers | <u>1,326</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,326</u> |

4 REVENUE AND SEGMENT INFORMATION (continued)

(ii) Segment Information (continued)

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

| | Traditional business <i>RMB'000</i> | New retail business <i>RMB'000</i> | All other segments <i>RMB'000</i> | Unallocated <i>RMB'000</i> | Group <i>RMB'000</i> |
|--|---|--|---|-------------------------------|-------------------------|
| Segment results | | | | | |
| Segment revenue | 346,601 | — | 5,126 | — | 351,727 |
| Operating loss | <u>(38,208)</u> | <u>—</u> | <u>(2,402)</u> | <u>(22,875)</u> | (63,485) |
| Net finance costs | | | | | <u>(21,446)</u> |
| Loss before tax | | | | | (84,931) |
| Income tax expense | | | | | <u>(21)</u> |
| Loss for the year | | | | | <u><u>(84,952)</u></u> |
| 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 | <u>(546)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(546)</u> |

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 2021 are as follows:

| Segment assets and liabilities | Traditional business <i>RMB'000</i> | New retail business <i>RMB'000</i> | All other segments <i>RMB'000</i> | Group <i>RMB'000</i> |
|---|--|---|--|---------------------------------|
| Segment assets | 354,809 | — | 2,376 | 357,185 |
| Unallocated assets | | | | <u>3,289</u> |
| Total assets | | | | <u><u>360,474</u></u> |
| Segment liabilities | 611,351 | — | 1,024 | 612,375 |
| Unallocated liabilities | | | | <u>80,990</u> |
| Total liabilities | | | | <u><u>693,365</u></u> |

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

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

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

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

| | 2021 | 2020 |
|----------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | 26,779 | 29,314 |
| Less: Allowance for credit loss | (20,007) | (18,876) |
| Trade receivables, net | 6,772 | 10,438 |
| Bills receivable | — | 260 |
| Trade and bills receivables, net | <u>6,772</u> | <u>10,698</u> |

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:

| | 2021 | 2020 |
|-------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0 - 90 days | 5,074 | 5,781 |
| 91 - 365 days | 1,394 | 4,410 |
| 1 year - 2 years | 638 | 1,151 |
| 2 years - 3 years | 671 | 3,316 |
| Over 3 years | 19,002 | 14,656 |
| Total | <u>26,779</u> | <u>29,314</u> |

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

| | 2021 | 2020 |
|----------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 117,117 | 112,770 |
| Bills payable | 10,600 | 14,428 |
| | <u>127,717</u> | <u>127,198</u> |

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:

| | 2021 | 2020 |
|------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0 - 30 days | 5,138 | 7,179 |
| 31 - 90 days | 833 | 2,076 |
| 91 - 365 days | 7,725 | 5,936 |
| 1 year - 2 years | 4,595 | 2,442 |
| 2 years -3 years | 2,303 | 75,791 |
| Over 3 years | 96,523 | 19,346 |
| | <u>117,117</u> | <u>112,770</u> |

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)

| | 2021 | 2020 |
|--|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of sales and services | 264,714 | 328,370 |
| Employee benefit expenses (excluding share option scheme expenses) | 22,022 | 37,099 |
| Amortisation of right-of-use assets | 24,589 | 25,803 |
| Depreciation of property, plant and equipment | 5,417 | 4,194 |
| Depreciation of investment properties | 922 | 1,015 |
| Amortisation of intangible assets | 154 | 149 |
| Write down/(reversal of write down) of inventories | 961 | (7,957) |
| Impairment loss on trade receivables | 1,131 | 1,643 |
| Impairment loss/(reversal of impairment loss) on other receivables | 3,427 | (2,805) |
| Impairment loss/(reversal of impairment loss) on prepayments to other suppliers | 1,326 | (546) |
| Auditor's remuneration | 1,800 | 1,736 |
| Lease payments not included in the measurement of lease liabilities | 1,499 | — |
| Loss/(gain) on disposal of property, plant and equipment and right-of-use assets | 135 | (2,921) |

8 INCOME TAX EXPENSES

| | 2021 | 2020 |
|--|----------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| PRC enterprise income tax (“EIT”) | | |
| Provision for the year | (25) | (36) |
| Over-provision in prior year | — | 15 |
| | <u>(25)</u> | <u>(21)</u> |

(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 (2020: Nil).

(b) PRC EIT

Under the EIT Law of the PRC, the EIT rate applicable to subsidiaries located in Mainland China is 25% (2020: 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.

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss attributable to owners of the Company | <u>(60,036)</u> | <u>(83,214)</u> |
| | <i>'000</i> | <i>'000</i> |
| Weighted average number of ordinary shares in issue | <u>204,060</u> | <u>150,656</u> |
| Basic loss per share (RMB) | <u>(0.294)</u> | <u>(0.552)</u> |

(b) Diluted

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 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 (2020: Nil) and the Board of Directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 is the first year of the “14th Five-Year”, the government introduced a series of profound reforms, including the regulation of the platform economy, the transformation of the real estate sector and the launch of the carbon peak and carbon neutral strategy targets, and proposed substantial progress towards shared prosperity, while maintaining global leadership in epidemic prevention and control and economic development. However, under the repeated impact of the epidemic, coupled with a more complex, severe and uncertain external environment, China’s economic development is simultaneously facing triple pressure from contracting demand, supply shocks and weakening expectations.

BUSINESS REVIEW

During the year ended 31 December 2021 (the “**reporting period**”), under the complex international and domestic environment, in the large context of a stable and improving macroeconomy in China, as a home appliance retail enterprise, the Group continued its efforts in optimizing its horizontal alliances initiative, aftersales and logistics support, corporate culture, information system, digitization and internal control system. As such, the Group made progress in the following aspects:

1. THE “1+1>2” SYNERGISTIC EFFECT GRADUALLY AND INTO PLAY

During the reporting period, the Group took full advantage of the rich experience of Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd (“Anhui Four Seas”), a holding subsidiary of the Group, in home appliance operation, its marketing capabilities and management experience. With many years of in-depth experience in the home appliance industry, the management team promoted the refined management of stores and led the teams to achieve established sales goals. Integration and effective utilization of resources achieved notable results and the “1+1>2” synergistic effect gradually came into play.

2. EFFECTIVELY LEVERAGED THE POLICY OF THE NEW ROUND OF “HOME APPLIANCES GOING TO THE COUNTRYSIDE” (家電再下鄉) TO STEADILY GAIN INCREMENTAL MARKET SHARE IN COUNTRYSIDE

On 11 June 2021, the Ministry of Commerce and other 17 departments mentioned in their opinions on strengthening the construction of county commercial systems to promote rural consumption that they would encourage the development of consumer goods and household appliances suitable for the rural market and promote the renewal of durable consumer goods in rural areas, with farmers’ needs as the guide.

On 8 December 2021, the National Development and Reform Commission said that it would promote the upgrading of consumption in rural areas and encourage the renewal of rural home appliances in areas that are in a position to do so.

On 14 December 2021, the National Development and Reform Commission, together with the Ministry of Industry and Information Technology, issued the Notice on the Implementation Plan for Revitalizing Industrial Economic Operation and Promoting High-Quality Industrial Development, proposing to improve the recycling and treatment system for home appliances, implement a target responsibility system for home appliance producers to recycle, and encourage conditional localities to launch a new round of trade-in actions in areas such as home appliances.

Since the Group has been working on the exploration of the home appliance retail markets in the third- and fourth-tier cities for many years, it keeps abreast home appliance industry policies, keenly captures the opportunities of incremental demand arising from the policy on the rural market and continues to explore the rural incremental market. Through implementing different marketing strategies for white household appliances (refrigerators, washing machines and air conditioners) which have entered the replacement and upgrading cycle and other types of home appliances, the Group made steady progress in respect of its existing market share while effectively developing prospects for growth.

3. GEARING UP THE MARKET SHARE OF DIVERSIFIED HOME APPLIANCES UNDER THE BACKGROUND OF SUPPLY AND DEMAND UPGRADING

On the policy front, as a result of China's efforts to strengthen the fundamental role of consumption in economic development, high-quality consumption has been comprehensively promoted. On the demand front, there are 180 million new middle-class consumers in China, and the number of middle-class families reached 33.20 million. On the technology front, with the rapid development of 5G and the Internet of Things, the penetration of high-end home appliances has accelerated. Under various favorable policies, potential customers are being gradually guided to mid-to-high-end home appliances.

In such context, during the reporting period, the Group focused on selecting healthy and smart home appliances, and placed particular emphasis on the integration and systematic construction of technical functions of home appliances, while adhering to the concept of comfortable home and promoting the sale of green and environmentally friendly home appliances. Meanwhile, the Group adjusted its product selection strategy in a timely manner. Under the guidance of the policy of building a smart home ecosystem, it spent more efforts in selecting healthy and smart home appliances with extra emphasis being put on the healthy and smart functions and product personalization demands for products. As a part of its diversified home appliance marketing strategy, the Group introduced mid-to-high-end products for white home appliances (refrigerators, washing machines and air conditioners) and continuously introduced integrated stoves, dishwashers and embedded products for kitchen appliances.

FINANCIAL REVIEW

Revenue

Revenue for 2021 was approximately RMB301.2 million, representing a decrease of 14.4% from approximately RMB351.7 million for 2020, which is mainly attributable to the continuous impact of COVID-19 pandemic and the sudden outbreak in Yangzhou area in 2021.

Turnover of the Group comprises revenues as follows:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Types of goods and services | | |
| Sales of goods | | |
| – Traditional business | 297,021 | 346,601 |
| – New retail business | <u>—</u> | <u>—</u> |
| | 297,021 | 346,601 |
| Rendering of services | | |
| – Maintenance and installation services | <u>4,152</u> | <u>5,126</u> |
| Total revenue | <u>301,173</u> | <u>351,727</u> |

Cost of sales and services

For the year ended 31 December 2021, the cost of sales and service was approximately RMB264.7 million, decreased by 19% from that of approximately RMB328.4 million for the year ended 31 December 2020, which was due to the adjustment of income structure and gross margin improvement.

Gross profit

For the year ended 31 December 2021, the gross profit was approximately RMB36.5 million, increased by 56% from that of RMB23.4 million for the year ended 31 December 2020.

Other income

For the year ended 31 December 2021, other income recorded by the Group amounted to approximately RMB5.7 million, in comparison to other income of approximately RMB5.2 million for the year ended 31 December 2020.

Other net gain

For the year ended 31 December 2021, the Group recorded other net gain of approximately RMB2.0 million, in comparison to other net gain of approximately RMB5.7 million for the year ended 31 December 2020.

Selling and marketing expenses

For the year ended 31 December 2021, the Group's total selling and marketing expenses amounted to approximately RMB49.3 million, representing a decrease by 1.4% from approximately RMB50.0 million for the year ended 31 December 2020.

Administrative expenses

For the year ended 31 December 2021, the Group's total administrative expenses amounted to approximately RMB33.5 million, decreased by 27.2% from approximately RMB46.1 million for the year ended 31 December 2020, mainly as a result of gross margin improvement.

Operating loss

For the year ended 31 December 2021, the operating loss amounted to approximately RMB38.7 million, decreased by 39% from approximately RMB63.5 million for the year ended 31 December 2020, mainly attributable to cost control, the quality improvement of income and a result of gross margin improvement.

Net finance costs

For the year ended 31 December 2021, the net financial costs of the Group amounted to approximately RMB23.4 million, representing an increase by 9% in comparison to approximately RMB21.4 million for the year ended 31 December 2020.

Loss before tax

For the year ended 31 December 2021, the loss before income tax amounted to approximately RMB62.1 million, while the loss before income tax was approximately RMB84.9 million for the year ended 31 December 2020.

Income tax expense

For the year ended 31 December 2021, the income tax expense of the Group amounted to approximately RMB25,000, while the income tax expense was approximately RMB21,000 for the year ended 31 December 2020.

Loss attributable to equity holders of the Company

The loss of attributable to equity holders of the Company for the year ended 31 December 2021 was approximately RMB60.0 million, while the loss attributable to equity holders amounted to approximately RMB83.2 million for the year ended 31 December 2020.

Cash and cash equivalents

At 31 December 2021, the Group's cash and cash equivalents were approximately RMB14.6 million, representing an decrease of 60% from approximately RMB36.5 million as at 31 December 2020.

Inventories

At 31 December 2021, the Group's inventories amounted to approximately RMB51.5 million, representing a decrease of 8% from RMB56.1 million as at 31 December 2020.

Prepayments, deposits and other receivables

At 31 December 2021, prepayments, deposits and other receivables of the Group amounted to approximately RMB47.7 million, representing a decrease of 12.3% from approximately RMB54.4 million as at 31 December 2020.

Trade and bills receivables

At 31 December 2021, trade and bills receivables of the Group amounted to approximately RMB6.8 million, representing an decrease of 36% from approximately RMB10.7 million as at 31 December 2020.

Trade and bills payables

At 31 December 2021, trade and bills payables of the Group amounted to approximately RMB127.7 million, in comparison approximately RMB127.2 million as at 31 December 2020.

Gearing ratio and the basis of calculation

At 31 December 2021, gearing ratio of the Group was 192.0%, increased from that of 173.7% as at 31 December 2020. 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 2021, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2021, the borrowings of the Group amounted to RMB405.7 million, representing an increase of 1.3% from RMB400.6 million as at 31 December 2020.

Pledge of assets

At 31 December 2021, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB110 million had been pledged (2020: RMB113 million).

Investment properties

The Group's investment properties as of 31 December 2021 and 31 December 2020 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2021 and 31 December 2020 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 |

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 2021 (2020: 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 2021, the Group had 302 employees, increased by 9.8% from 275 employees as at 31 December 2020.

FUTURE OUTLOOK

2022 is the second year of the “14th Five-Year Plan” and “20th National Congress” when national policies have ensured a stable and healthy economic environment and the state has topped “the six fronts” (“六穩六保”) (employment, finance, foreign trade, inbound investment, domestic investment, and market expectations). In addition, as the global COVID-19 pandemic will be greatly alleviated by the promotion of COVID-19 vaccines and specific drugs, the consumer market in 2022 is expected to be better than this year and the consumer demand for home appliances significantly suppressed by the COVID-19 pandemic is expected to improve notably.

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

1. FOCUSING ON CONSUMPTION + PRODUCT DUAL UPGRADES WHEN STABILISING INCREASE

With the gradual implementation of common prosperity and the national strategy of “carbon peaking and carbon neutrality” and under the development trend of consumption upgrading, consumers pursue intelligence, personalization and refinement, and are willing to accept products with attractive appearance, new functions and high-quality.

- ① Diversification and personalization of home appliance products with feature functions. Products such as dishwasher, robotic vacuum cleaner and floor scrubber will become popular; under the trend of integration, products such as integrated stove, steaming and baking all-in-one machines and multi-function cooking machines will sell well; driven by internet celebrity culture, beauty products and small attractive household appliances such as beauty apparatus, oral irrigators and hair curler will go viral.

- ② Healthier home appliances. Catalyzed by the COVID-19 pandemic, the concept of health has attracted much attention, and a variety of health-boosting household appliances are rapidly gaining popularity, for example, the sales share of high-performance air purifiers (P4 and F4 levels) reached the highest level since 2019 in the third quarter of 2021.
- ③ Intelligent home appliances. With the development of the Internet of Things and artificial intelligence, home automation has gradually emerged, ranging from household appliances such as refrigerators and washing machines that can be remotely controlled to AI smart air conditioners with functions such as interaction, self-learning, comfort adjustment and health monitoring.

In the future, the Group will focus on the upgrading need of intelligence, personalization and customization for home appliances, the upgrade of personalized, customized requirements, and launch home appliance products suitable for multiple age groups in a timely manner based on the concept of safety and health, pursuit of quality, convenience to enjoy, fashionable appearance, intelligent life and the nature of environmental protection. In addition, we will also appropriately launch electronic science and technology products with strong relevance by fully capitalising the intrinsic advantages of the home appliance industry's iterative nature.

2. CONTINUING TO PROMOTE CHANGES IN RETAIL CHANNELS

For home appliance products, especially those with a unit price of over RMB1,000, consumers originally relied on the consuming habit of observing and trying before buying in offline stores. Due to the restriction of COVID-19 pandemic, “every family is engaged in live e-commerce, and everyone is a livestream salesperson”, the proportion of retail sales of online household appliances reached 50.4% in 2020, exceeding the proportion of retail sales of household appliances in offline stores for the first time.

As the impact of the COVID-19 pandemic receded, the vitality of offline stores was reawakened, with retail sales of home appliances in offline stores exceeding those of online channels in the fourth quarter of 2021.

Home appliance retail channels are becoming increasingly fragmented while integrated, such as online and offline channels, salesman live broadcast with goods, Douyin short video and wechat community. The Group as a home appliance chain retailer in the third- and fourth-tier cities, on the one hand, further fragmentation channels for marketing, on the other hand, promote the integration of various channels. The Group enhanced offline customer experience through redecorating all stores, with comfortable, cozy offline experiences as the breakthrough point, which speeds up the integration of multiple channels such as live, short video, wechat community and the like, so as to improve the Group's retail performance.

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

According to the statistics report of China Internet Network Information Center (CNNIC), as of June 2021, the scale of Internet users in China has reached 1.011 billion, and the Internet penetration rate has reached 71.6%, forming the world's largest and vibrant digital society. Digitalization is reconstructing the channel and retail model of home appliances and is accelerating at an unimaginable speed especially since the outbreak of COVID-19 pandemic. Whether it can effectively embrace digitization and promote channel reform is the key to the future development of home appliance enterprises.

The Group will continue to accelerate the digital-based retail in 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 fasten 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 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. EXPLORE AND STUDY NEW BUSINESS AREAS, CONTINUOUS IMPROVEMENT ON CAPABILITIES AND PROFITABILITY

During the reporting period, while continuing to strengthen the home appliance business, on the one hand, the management of the Group pays attention to strengthening the study on macroeconomic policies, the development trend of the household appliance industry and competing companies, and explore to strengthen the sales of green, environmental and mid-to-high-end home appliances under the upgrading of supply and demand in the household appliance industry, so as to lay out a diversified home appliance sales pattern. On the other hand, the Group organized the management team to participate in forums related to macroeconomic policy and industry development, so as to understand the development trends of the industry in real time and strengthen exchanges and discussions between the industry and different industries. Moreover, the management team was arranged to carry out field visits and research on some high-margin projects, aiming to further explore new business areas and improve the profitability of the group.

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 "**Stock Exchange**") (the "**Listing Rules**").

Throughout the year ended 31 December 2021, 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 2021.

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 two meetings to review the 2020 annual financial results and 2021 interim results, all members of the Audit Committee had attended the meetings.

During the year ended 31 December 2021, 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 2021, 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 2021, 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 2021 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 2021 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, 15 March 2022

As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors, namely Mr. Yuan Li, Mr. Xu Xinying and Ms. Liu Simei; 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.