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 2019

HIGHLIGHTS

1. Revenue for 2019 was approximately RMB470.7 million, representing a decrease of 48.9% from approximately RMB920.8 million for 2018, mainly attributable to that the Company has strategically discarded non-performing new retail business of continuous losses.

2. Gross profit margin for 2019 was 8.2%, while that of 2018 was 2.5%.

3. Operating loss for 2019 was approximately RMB94.8 million, while there was operating loss of approximately RMB144.3 million for 2018.

4. Loss for 2019 was approximately RMB108.9 million, while there was loss of approximately RMB165.8 million for 2018.

The board (the "Board") of directors (the "Directors") of Qidian International Co., Ltd. (formerly known as "Huiyin Smart Community 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 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	4	**470,731**	920,807
Cost of sales and services		**(432,017)**	(897,603)
Gross profit		**38,714**	23,204
Other income		**8,983**	15,523
Other net gain		**5,298**	7,942
(Impairment losses)/reversal of impairment losses on trade and other receivables, net		**(5,752)**	5,300
Selling and marketing expenses		**(77,382)**	(130,328)
Administrative expenses		**(64,648)**	(65,962)
Operating loss		**(94,787)**	(144,321)
Finance income		**368**	2,270
Finance costs		**(14,495)**	(23,935)
Net finance costs		**(14,127)**	(21,665)
Share of loss of a joint venture		**—**	—
Share of loss of an associate		**—**	—
Loss before income tax	7	**(108,914)**	(165,986)
Income tax credit	8	**4**	174
Loss for the year		**(108,910)**	(165,812)
Attributable to:			
– Equity holders of the Company		**(108,837)**	(160,731)
– Non-controlling interests		**(73)**	(5,081)
		(108,910)	(165,812)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB per share)			*(Restated)*
– Basic	9	**(0.858)**	(1.291)
– Diluted	9	**(0.858)**	(1.291)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Loss for the year	**(108,910)**	(165,812)
Other comprehensive income or loss for the year	**—**	—
Total comprehensive loss for the year	**(108,910)**	(165,812)
Attributable to:		
– Equity holders of the Company	**(108,837)**	(160,731)
– Non-controlling interest	**(73)**	(5,081)
	(108,910)	(165,812)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**—**	32,157
Property, plant and equipment		**137,650**	193,776
Right-of-use assets		**89,207**	—
Investment properties		**39,022**	5,066
Intangible assets		**1,340**	297
Interest in joint venture		**—**	—
Interests in associates		**—**	—
Equity investment designated at fair value through other comprehensive income		**600**	600
Total non-current assets		**267,819**	231,896
Current assets			
Inventories		**77,251**	157,530
Trade and bills receivables	5	**8,878**	23,989
Prepayments, deposits and other receivables		**74,794**	101,335
Restricted bank deposits		**23,242**	39,060
Cash and cash equivalents		**23,677**	48,075
Total current assets		**207,842**	369,989
Total assets		**475,661**	601,885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 December 2019

	Note	**2019** *RMB'000*	2018 *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**16,766**	16,766
Reserves		**(319,289)**	(210,452)
		(302,523)	(193,686)
Non-controlling interests		**22,725**	22,787
Total equity		**(279,798)**	(170,899)
LIABILITIES			
Non-current liabilities			
Borrowings		**59,646**	356,134
Lease liabilities		**50,028**	—
Provision for reinstatement costs		**620**	—
Total non-current liabilities		**110,294**	356,134
Current liabilities			
Trade and bills payables	6	**131,125**	161,654
Accruals and other payables		**44,257**	97,456
Contract liabilities		**29,350**	39,780
Lease liabilities		**20,157**	—
Borrowings		**363,957**	38,000
Current income tax liabilities		**7**	22
Derivative financial instruments		**—**	26,178
Financial liabilities at fair value through profit or loss		**—**	—
Other current liabilities		**53,560**	53,560
Provision for litigations		**2,566**	—
Provision for reinstatement costs		**186**	—
Total current liabilities		**645,165**	416,650
Total liabilities		**755,459**	772,784
Total equity and liabilities		**475,661**	601,885

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 engaged in the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance in the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

2.1 Basis of preparation

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 requirements of the Hong Kong Companies Ordinance ("HKCO").

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of preparation *(continued)*

The consolidated financial statements have been prepared under the historical cost convention, as modified by 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 2019 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 RMB108,910,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by RMB437,323,000 and the Group's total liabilities exceeded its total assets by RMB279,798,000.

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, including the financial support from the parent company of a substantial shareholder of the Company and loans from a lender, Mr. Wu Jipeng. 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 2019, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest of RMB314,924,000 as at 31 December 2019. The original due dates for repayment of these outstanding loans and accrued interest are between March 2020 and February 2022. Under the letter, the repayment date is not earlier than 30 April 2022.

b) On 17 April 2020, the Company obtained a financial support from 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, under which Chongqing Saint has given an irrevocable undertaking that it would provide financial support to the Group to meet its financial obligations for a maximum amount of RMB230 million for a period of 24 months from the date of approval of these consolidated financial statements.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

c) Guangdong Shengrong Financial Services Holding Co.* (廣東聖融金服控股有限公司), Beijing New Qidian Technology Group Co., Ltd.* (北京奇點新科技集團有限公司)(previously known as Saint (Beijing) Holding Group Co., Ltd.* (聖商(北京)控股集團有限公司)) and HK Saint Next Investment Limited agreed to extend the outstanding loans and interest of RMB83,280,000 which are due for repayment between May and October 2020 for a further period of two years.

d) On 25 March 2020, the Group entered into two loan agreements with Chongqing Saint pursuant to which the Group obtained loans of RMB50,000,000 at a fixed interest rate of 6.5% per annum for a period of two years. The loans are due for repayment on 24 March 2022.

Based on the Group's cash flow projections, which cover a period of twelve months from the date of the approval of these consolidated financial statements and taken into account the available financial resources, 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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

3 ACCOUNTING POLICIES *(continued)*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease- by-lease basis, to the extent relevant to the respective lease contracts:

(i) relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

(ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

(v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 6.6% to 9.5%.

3 ACCOUNTING POLICIES *(continued)*

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	116,080
Less: commitments relating to leases exempt from capitalisation	
– short-term leases and other leases with remaining lease term ending on or before December 2019	(1,269)
Less: commitments relating to termination of lease contracts	(11,253)
	103,558
Less: Total future interest expenses	(19,782)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and lease liabilities as at 1 January 2019	83,776
Analysed as	
Current	14,916
Non-current	68,860
	83,776

3 ACCOUNTING POLICIES *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	83,776
Reclassified from land use rights *(note)*	32,157
Reclassified from prepaid rentals	8,517
	124,450
By class:	
Properties	92,293
Leasehold land	32,157
	124,450

Note:

Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the land use rights amounting to RMB32,157,000 were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

3 ACCOUNTING POLICIES *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount as previously reported at 31 December 2018	Reclassification	Capitalisation of operating lease contracts	**Carrying amount under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Land use rights	32,157	(32,157)	—	**—**
Right of use assets	—	40,674	83,776	**124,450**
Total non-current assets	231,896	8,517	83,776	**324,189**
Prepayments, deposits and other receivables	101,335	(8,517)	—	**92,818**
Total current assets	369,989	(8,517)	—	**361,472**
Total assets	601,885	—	83,776	**685,661**
Lease liabilities (current)	—	—	14,916	**14,916**
Total current liabilities	416,650	—	14,916	**431,566**
Lease liabilities (non-current)	—	—	68,860	**68,860**
Total non-current liabilities	356,134	—	68,860	**424,994**
Total liabilites	772,784	—	83,776	**856,560**

3 ACCOUNTING POLICIES *(continued)*

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Revised Conceptual Framework	Amendments to References to the Conceptual Framework in HKFRS Standards[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRS 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.

3 ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

(i) Revenue

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

Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business		
– Household appliance	**405,204**	849,132
– Sales of mobile phones and computers	**56,348**	—
– New retail business	**—**	64,216
	461,552	913,348
Rendering of services		
– Maintenance and installation services	**9,179**	7,459
Total revenue	**470,731**	920,807

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**470,731**	920,807

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.

Inter-segment sales are charged at cost plus certain mark-up.

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**
Addition of other non-current assets	**—**	**—**	**—**	**—**	**—**
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**
Loss on disposal of property, plant and equipment and right-of-use assets	**16,256**	**6**	**—**	**—**	**16,262**
(Reversal of impairment loss)/impairment loss on prepayments to other suppliers	**9,866**	**(42)**	**(2)**	**—**	**9,822**

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

The segment results for the year ended 31 December 2018 are as follows:

Segment results	Traditional business *RMB'000*	New retail business *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment revenue	**896,561**	**64,216**	**7,459**	**—**	**968,236**
Inter-segment revenue	**(47,429)**	**—**	**—**	**—**	**(47,429)**
Revenue from external customers	**849,132**	**64,216**	**7,459**	**—**	**920,807**
Operating loss	**(100,436)**	**(29,941)**	**(7,799)**	**(6,145)**	**(144,321)**
Net finance costs					**(21,665)**
Share of loss of a joint venture					**—**
Share of loss of an associate					**—**
Loss before income tax					**(165,986)**
Income tax expense					**174**
Loss for the year					**(165,812)**
Other segment items are as follows:					
Capital expenditure	**32,404**	**425**	**1,132**	**—**	**33,961**
Addition of other non-current asset	**—**	**—**	**—**	**600**	**600**
Depreciation charge	**8,843**	**1,567**	**202**	**—**	**10,612**
Amortisation charge	**1,630**	**—**	**32**	**—**	**1,662**
Reversal of write down of inventories	**(15,737)**	**—**	**—**	**—**	**(15,737)**
Impairment loss on property, plant and equipment	**1,483**	**—**	**17**	**—**	**1,500**
Impairment loss on trade receivables	**705**	**437**	**12**	**—**	**1,154**
Impairment loss on other receivables	**4,714**	**23**	**61**	**—**	**4,798**
Reversal of impairment on prepayments to Suohai, Zhipu and Mei Zanying	**(17,897)**	**—**	**(692)**	**—**	**(18,589)**
Impairment loss on prepayments to other suppliers	**343**	**327**	**349**	**—**	**1,019**

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 2019 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	**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**

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

Segment assets and liabilities as at 31 December 2018 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	430,849	44,776	28,978	504,603
Unallocated assets				97,282
Total assets				601,885
Segment liabilities	653,916	14,427	14,724	683,067
Unallocated liabilities				89,717
Total liabilities				772,784

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 current income tax liabilities, corporate borrowings and corporate liabilities of the management companies and investment holding companies.

5 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**25,911**	38,506
Less: Provision for impairment	**(17,233)**	(15,407)
Trade receivables, net	**8,678**	23,099
Bills receivable	**200**	890
Trade and bills receivables, net	**8,878**	23,989

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 provision for impairment, as at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
0 - 30 days	**1,091**	13,613
31 - 90 days	**1,855**	4,298
91 - 365 days	**5,895**	4,786
1 year - 2 years	**3,289**	2,745
2 years - 3 years	**2,074**	12,176
Over 3 years	**11,707**	888
Total	**25,911**	38,506

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

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**115,024**	122,604
Bills payable	**16,101**	39,050
	131,125	161,654

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:

	2019	2018
	RMB'000	*RMB'000*
0 - 30 days	**11,127**	57,149
31 - 90 days	**1,811**	12,550
91 - 365 days	**5,646**	28,666
1 year - 2 years	**75,823**	21,874
2 years -3 years	**18,301**	2,170
Over 3 years	**2,316**	195
	115,024	122,604

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 INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of sales and services	**432,017**	897,603
Employee benefit expenses (excluding share option scheme expenses)	**53,497**	88,211
Operating lease expenses in respect of buildings and warehouses	**—**	31,527
Amortisation of land use rights	**—**	797
Amortisation of right-of-use assets	**22,779**	—
Depreciation of property, plant and equipment	**6,272**	10,443
Depreciation of investment properties	**692**	169
Amortisation of intangible assets	**154**	865
Reversal of write down of inventories	**(1,505)**	(15,737)
Impairment loss on trade receivables	**1,826**	1,154
Impairment loss on other receivables	**3,926**	4,798
Impairment loss on property, plant and equipment	**259**	1,500
Reversal of impairment loss on prepayments to Suohai, Zhipu and Mei Zanying	**—**	(18,589)
Impairment loss on prepayments to other suppliers	**9,822**	1,019
Auditor's remuneration		
– Audit services		
Current year	**4,270**	4,000
Prior year	**—**	5,034
Lease payments not included in the measurement of lease liabilities	**1,983**	—
Loss on disposal of property, plant and equipment and right-of-use assets	**16,262**	757

8 INCOME TAX CREDIT

	2019	2018
	RMB'000	*RMB'000*
PRC income tax		
Provision for the year	**(69)**	(289)
Overprovision in prior year	**73**	463
	4	174

(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 (2018: Nil).

(b) PRC enterprise income tax

Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate applicable to subsidiaries located in Mainland China is 25% (2018: 25%).

9 LOSS PER SHARE

(a) Basic

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

	2019	2018
	RMB'000	*RMB'000*
Loss attributable to equity holders of the Company	**(108,837)**	(160,731)
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares in issue	**126,898**	124,465
Basic loss per share (RMB)	**(0.858)**	(1.291)

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 2019 and 2018 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 (2018: Nil) and the Board of Directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Crowe (HK) CPA Limited was engaged to audit the consolidated financial statements of the Group and a qualified 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 2019:

Qualified 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 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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, except for the possible effects on the corresponding figures of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Opening balances and corresponding figures

Our audit report dated 14 June 2019 on the Group's consolidated financial statements for the year ended 31 December 2018 was modified as the predecessor auditor expressed a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2017. Since opening balances affect the determination of the financial performance and cash flows for the year ended 31 December 2018, in the absence of sufficient audit evidence, we were unable to determine whether the reversal of impairment losses of RMB18,589,000 on the prepayments to three suppliers for the year ended 31 December 2018 have been properly accounted for and disclosed in the consolidated financial statements and we were unable to satisfy ourselves that the prepayments of RMB35,218,000 from these suppliers as at 1 January 2018 were free from material misstatement. Therefore, we are unable to determine whether any adjustment might have been necessary in respect of the financial performance reported in the consolidated income statement and consolidated statement of other comprehensive income and the net cash flow from operating activities reported in the consolidated statement of cash flows of the Group for the year ended 31 December 2018. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 was modified accordingly. Our audit opinion on the consolidated financial statements of the Group for the current year ended 31 December 2019 is also modified because of the possible effect of the above matter on the comparability of the current year's figures and the corresponding figures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Amid the stable economic growth in China despite the downward pressure, the Group mainly adjusted its management structure and carried out business restructuing in 2019, including:

1. **Improving, supervising and implementing the internal control system**

   The Group formulated a set of detailed and practical manuals for internal control according to the actual situation, which were finalized on 26 February 2019 and published on 1 March 2019. On 10 May 2019, an independent third party internal control advisor concluded its ongoing review and issued a report on implementation of rectification measures. At the same time, an independent third party was engaged to provide external trainings to the mid-to-senior level employees in relation to the awareness, importance and procedures of internal control. On top of supervising and implementing the internal control system, the Group has also strengthened its internal trainings to the employees in relation to the implementation of internal control, which were included in the KPI review of such employees to strengthen the effectiveness of the implementation of the internal control system.

2. **Adjusting product lines based on big data**

   During the reporting period, through utilizing the big data technology, the Group further explored customer demands, closely followed market trends, further enriched product stock keeping unit and thus increased inventory turnover rates. The Group proposed the strategic guidelines of "old business, new method, rooted in Jiangsu and Anhui, with extension to the whole nation", under which the Group capitalized on the policy benefits and seized the opportunities of market adjustment, and enhanced its sales systems and strengthened the trainings. Through the use of diversified new technologies and new methods, the Group adjusted its product lines which will continuously improve the Company's profitability.

3. Strengthening alliance across different industries, expanding the traffic acquisition channels and increasing user stickiness

During the reporting period, the Group vigorously promoted the development of merchandise exchange platform, service rating platform and Internet of Things ("IoT") service platform. On the merchandise exchange platform, the Group cooperated with Youzan and set up WeCity and WeStore, which facilitated the ordering process for customers. On the service rating platform, the Group created a visualized rating system which allows the customers to provide rating and share experiences in respect of the physical stores, logistics, after-sales repair and maintenance, and online customer service, which better satisfied the needs of customers. On the IoT service platform, the Group further extended the merchandise operations and service provision from stores to homes by the use of upgraded technologies and service capabilities which increased user interactions as well as user stickiness.

Through the optimization of the online mall of Huiyin Lehu and the addition of the WeChat apps and official account of Huiyin Lehu, the Group undertook circle operation and membership management to improve user stickiness and the rate of repeated purchase by existing customers. For example, the Group initiated a customer relationship management project targeting at existing customers, whereby the Group organized the information of existing customers over the past two decades, and arranged the customer service team to send greetings to existing customers via SMS and by phone. In the meantime, the Group launched various rounds of marketing activities on the official account of the Company searching for "old invoices" to recall the old memory of the customers and increase their user stickiness.

4. Optimizing customer service: after-sales service and logistics management

(i) After-sales service

1. In terms of the after-sales service personnel, all the service personnel of the Group are certified and have passed the examination of the provincial household electrical appliances association. They have obtained a qualification certificate in the form of QR code;

2. The Group's after-sales services cover all categories and the full range of products, and all kinds of after-sales request can be handled by making a phone call to the service hotline;

3. The after-sales service management of the Group is unified in five aspects, namely unified image, unified service language, unified service standards, unified quality commitment and unified charging standards.

(ii) Logistics management

On the one hand, through the cooperation with nearly ten heavy-cargo logistics operators all of which are independent third parties such as SF Express, Deppon Express and CNEX, the Group has expanded its geographical coverage of after-sales customer service with less capital investment and bearing lower operational risks. On the other hand, the Company has built its own logistic team and is committed to optimising the logistics management of its existing logistics networks, warehouses and distribution centres to cope with the growing business requirements.

In recent years, the Group has strengthened its information management and implemented real-time monitoring systems such as the security system, the warehouse goods monitoring system and the employee performance monitoring system to improve the delivery process and the customer's shopping experience to the greatest extent.

The Group has integrated its after-sales and logistics into a centralised platform to improve the efficiency and effectiveness of the customer service management.

5. Integrating and upgrading the information management and office system

As of the date of this announcement, to improve the efficiency of employees, enhance the corporate governance, and strengthen the effective implementation and feedback of internal control, the Group has fully upgraded the OA approval system and the financial NC management system, and added an integrated fund management and control system and a comprehensive budget management system. Within the scope of authorisation, mutual information was easily pushed and obtained in multiple levels and multiple dimensions, i.e. among the authorisation, business, inventory, funds, budget, settlement, analysis, feedback and other information management systems and among the Chairman, CEO, CFO, CTO, internal auditor, senior employees, middle-level employees, and grassroots employees, through the convenient and efficient control process of mobile terminals and the joint debugging of multiple system interfaces, which facilitates realtime management and control at all levels.

6. Excellent human resources

As of the date of this announcement, the Group continued to sort out the functions, job requirements and KPIs of human resources.

As at 31 December 2019, the number of employees of the Group was 480. To enhance the employees' competency and improve their comprehensive skills, the Group organised more than 20 trainings with different themes, covering induction training, product knowledge, sales skills, leadership skills, and corporate culture, which widely cater to the needs of different levels of employees and have attracted more than 1,000 employees to participate in such trainings.

7. **Building corporate culture**

During the reporting period, under the guidance of a periodic “loss reduction” strategy, the Group enhanced its corporate cultural system. After the enormous losses suffered by the Group in the past few years and the change of the board members and management members, the Group, on one hand, conducted a huge amount of review work in respect of the selection of team members. In the meantime, in respect of the building of corporate culture, vision and values, and the restoration of code of conduct for employees’ behaviours, the Group organized several trainings and outward bound activities in conformity with the Group’s vision and values and code of conduct to increase solidarity and cohesion among the majority of employees toward the Group, as well as the execution capabilities on their respective job positions.

In a nutshell, with the arrival of the era of “Home Appliance Subsidy 2.0”, the Group will concentrate on improving the internal corporate governance, and seize the breaking point of the replacement cycle of the national industry policy for purchase of home appliances in the rural areas in the PRC. The Group will focus its efforts and resources on the principal business of household appliances and more effectively apply a diversified marketing and promotion strategy and strengthen alliance across different industries to quicken the inventory turnover, boost market share and total sales, and realize the transitional development of the Group by actively broadening its thinking, coupling with its own structure and market demand.

For the year ended 31 December 2019, the Group’s total revenue was approximately RMB470.7 million, representing a decrease of approximately 48.9% from approximately RMB920.8 million for the year ended 31 December 2018.

The Group recorded a loss of approximately RMB108.9 million for the year ended 31 December 2019 as compared to a loss of approximately RMB165.8 million for the year ended 31 December 2018. Gross profit margin was approximately 8.2% and approximately 2.5% for the years ended 31 December 2019 and 2018, respectively.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's revenue was approximately RMB470.7 million, representing a decrease of 48.9% from approximately RMB920.8 million for the year ended 31 December 2018.

Turnover of the Group comprises revenues as follows:

	2019	2018
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business	**461,552**	849,132
– New retail business	**—**	64,216
	461,552	913,348
Rendering of services		
– Maintenance and installation services	**9,179**	7,459
Total revenue	**470,731**	920,807

Cost of sales and services

For the year ended 31 December 2019, the cost of sales and service was approximately RMB432.0 million, decreased by 51.9% from that of approximately RMB897.6 million for the year ended 31 December 2018, which was due to the decrease of sales volume.

Gross profit

For the year ended 31 December 2019, the gross profit was approximately RMB38.7 million, increased by 66.8% from that of RMB23.2 million for the year ended 31 December 2018.

Other income

For the year ended 31 December 2019, other income recorded by the Group amounted to approximately RMB9.0 million, representing a decrease of 41.9% in comparison to approximately RMB15.5 million for the year ended 31 December 2018. This was mainly due to the decrease in sales volume, which led to the reduction of other income from the related supporting services.

Other net gain

For the year ended 31 December 2019, the Group recorded other net gain of approximately RMB5.3 million, in comparison to other net gain of approximately RMB7.9 million for the year ended 31 December 2018.

Selling and marketing expenses

For the year ended 31 December 2019, the Group's total selling and marketing expenses amounted to approximately RMB77.4 million, representing a decrease by 40.6% from approximately RMB130.3 million for for the year ended 31 December 2018.

Administrative expenses

For the year ended 31 December 2019, the Group's total administrative expenses amounted to approximately RMB64.6 million, decreased by 2.1% from approximately RMB66.0 million for the year ended 31 December 2018.

Operating loss

For the year ended 31 December 2019, the operating loss amounted to approximately RMB94.8 million, decreased by 34.3% from approximately RMB144.3 million for the year ended 31 December 2018.

Net finance costs

For the year ended 31 December 2019, the net financial costs of the Group amounted to approximately RMB14.1 million, representing a decrease by 35.0% in comparison to approximately RMB21.7 million for the year ended 31 December 2018 which were mainly due to the waiver of interest payments of RMB18.9 million by a lender.

Loss before income tax

For the year ended 31 December 2019, the loss before income tax amounted to approximately RMB108.9 million, while the loss before income tax was approximately RMB166.0 million for the year ended 31 December 2018.

Income tax credit

For the year ended 31 December 2019, the income tax credit of the Group amounted to approximately RMB4,000, while the income tax credit was approximately RMB0.2 million for the year ended 31 December 2018.

Loss attributable to equity holders of the Company

The loss of attributable to equity holders of the Company for the year ended 31 December 2019 was approximately RMB108.8 million, while the loss attributable to equity holders amounted to approximately RMB160.7 million for the year ended 31 December 2018.

Cash and cash equivalents

At 31 December 2019, the Group's cash and cash equivalents were approximately RMB23.7 million, representing a decrease of 50.7% from approximately RMB48.1 million as at 31 December 2018.

Inventories

At 31 December 2019, the Group's inventories amounted to approximately RMB77.3 million, representing a decrease of 50.9% from RMB157.5 million as at 31 December 2018.

Prepayments, deposits and other receivables

At 31 December 2019, prepayments, deposits and other receivables of the Group amounted to approximately RMB74.8 million, representing a decrease of 26.2% from approximately RMB101.3 million as at 31 December 2018, which was mainly due to the prepaid rentals were reclassified as right-of-use assets in 2019 and the decrease in value added tax receivable as resulted from the decrease in business volume.

Trade and bills receivables

At 31 December 2019, trade and bills receivables of the Group amounted to approximately RMB8.9 million, representing a decrease of 62.9% from approximately RMB24.0 million as at 31 December 2018, which was mainly due to the scale down of new retail business and decrease in business volume.

Trade and bills payables

At 31 December 2019, trade and bills payables of the Group amounted to approximately RMB131.1 million, representing a decrease of 18.9% from approximately RMB161.7 million as at 31 December 2018, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

At 31 December 2019, gearing ratio of the Group was 158.8%, increased from that of 128.4% as at 31 December 2018. 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 2019, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2019, the borrowings of the Group amounted to RMB423.6 million, representing an increase of 7.5% from RMB394.1 million as at 31 December 2018.

Pledge of assets

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

Updates on annual results

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the "2019 Unaudited Annual Results Announcement"). As the financial information contained in the 2019 Unaudited Annual Results Announcement has not been audited and agreed by Crowe (HK) CPA Limited as at the date of publication, and such information may be subject to subsequent adjustments, shareholders of the Company and potential investors are advised to pay attention to certain differences between the financial information of the Group's unaudited and audited annual results. Set out below are the key details and reasons for the material differences between such financial information of the Company in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Audited	**Unaudited**	**Difference**	**Note**
	RMB'000	RMB'000		
Revenues	**470,731**	469,239	1,492	4
Cost of sales and services	**(432,017)**	(429,634)	(2,383)	
Gross profit	**38,714**	39,605	(891)	
Other income	**8,983**	9,112	(129)	
Other net gain	**5,298**	7,654	(2,356)	4
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	**(5,752)**	(5,880)	128	3, 4
Selling and marketing expense	**(77,382)**	(75,154)	(2,228)	4
Administrative expenses	**(64,648)**	(59,697)	(4,951)	1, 3, 4
Operating loss	**(94,787)**	(84,360)	(10,427)	
Finance costs	**(14,495)**	(12,840)	(1,655)	2, 4
Finance income	**368**	368		
Loss before income tax	**(108,914)**	(96,832)	(12,082)	
Income tax credit	**4**	4	—	
Loss for the year	**(108,910)**	(96,828)	(12,082)	
Attributable to				
Equity holders of the Company	**(108,837)**	(98,142)	(10,695)	
Non-controlling interests	**(73)**	1,314	(1,387)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Audited	Unaudited	Difference	Note
	RMB'000	RMB'000		
Non-current assets				
Land use rights	**—**	—	—	
Property, plant and equipment	**137,650**	137,668	(18)	3
Investment properties	**39,022**	39,022	—	
Intangible assets	**1,340**	1,340	—	
Right-of-use assets	**89,207**	87,329	1,878	4
Investment in subsidiaries	**—**	—	—	
Interest in joint venture	**—**	—	—	
Interest in associates	**—**	—	—	
Equity investment designated at fair value through other comprehensive income	**600**	600	—	
Deferred income tax assets	**—**	—	—	
Total non-current assets	**267,819**	265,959	1,860	
Current assets				
Inventories	**77,251**	77,835	(584)	3
Trade and bills receivables	**8,878**	11,138	(2,260)	3
Prepayments, deposits and other receivables	**74,794**	76,394	(1,600)	3
Restricted bank deposits	**23,242**	23,317	(75)	3
Cash and cash equivalents	**23,677**	23,660	17	
Total current assets	**207,842**	212,344	(4,502)	
Total assets	**475,661**	478,303	(2,642)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 December 2019

	Audited 2019 RMB'000	Unaudited RMB'000	Difference	Note
Equity				
Share capital	**16,766**	16,766	—	
Reserves	**(319,289)**	(308,594)	(10,695)	
	(302,523)	(291,828)	(10,695)	
Non-controlling interests	**22,725**	24,112	(1,387)	
Total equity	**(279,798)**	(267,716)	(12,082)	
Non-current liabilities				
Borrowings	**8,027**	8,027	—	
Deferred income tax liabilities	**—**	—	—	
Deferred government grants	**—**	—	—	
Lease liabilities	**50,028**	51,062	(1,034)	4
Provision for reinstatement costs	**620**	575	45	
Other borrowings	**51,619**	51,619	—	
Total non-current liabilities	**110,294**	111,283	(989)	
Current liabilities				
Trade and bills payables	**131,125**	130,648	477	1
Accurals and other payables	**44,257**	40,856	3,401	1
Contract liabilities	**29,350**	29,350	—	
Contingent liabilities	**—**	—	—	
Provision for reinstatement costs	**186**	186	—	
Borrowings	**363,957**	360,604	3,353	2
Current income tax liabilities	**7**	7	—	
Derivative financial instruments	**—**	—	—	
Lease liabilities	**20,157**	19,525	632	
Other current liabilites	**53,560**	53,560	—	
Provision for litigations	**2,566**	—	2,566	1
Total current liabilities	**645,165**	634,736		
Total liabilities	**755,459**	746,019		
Total equity and liabilities	**475,661**	478,303		

Note

1. Since the PRC lawyers provided new supplemental information in respect of certain litigations, the independent auditors took a more prudent approach in determining the historical litigations of the Company. As a result, the Company made additional provision for the related litigation liabilities and expenses, which caused an increase in the administrative expenses of approximately RMB6,100,000 and a corresponding increase in the net loss for the year of approximately RMB6,100,000. Accordingly, as at 31 December 2019, the Group's trade and bills payables, accruals and other payables, and provision for litigations increased by approximately RMB477,000, RMB3,057,000 and RMB2,566,000, respectively.

2. Due to the provision for interests on related party borrowings, the finance costs increased by approximately RMB3,353,000, which resulted in an increase in the net loss for the year of approximately RMB3,353,000. Accordingly, as at 31 December 2019, the Group's short-term borrowings increased by approximately RMB3,353,000.

3. Due to the provision made for impairment of receivables and other assets of a subsidiary which was subject to bankruptcy proceedings by adopting a more prudent judgment, impairment losses on trade and other receivables increased by approximately RMB2,650,000 and administrative expenses increased by approximately RMB176,000, causing an aggregate increase in net loss for the year of approximately RMB2,826,000. Accordingly, as at 31 December 2019, (1) property, plant and equipment decreased by approximately RMB18,000; (2) restricted bank deposits decreased by approximately RMB58,000; (3) inventories decreased by approximately RMB3,000; (4) trade and bills receivables decreased by approximately RMB2,327,000; and (5) other receivables decreased by approximately RMB420,000.

4. Other than the material differences having an impact on the overall profit of the Group as set out above, differences were mainly attributable to adjustments made in accordance with HKFRS16-Leases, adjustments due to reclassification of certain profit or loss items, and other adjustments and changes which did not have a significant impact on the overall profit. Key adjustments and reclassification of profit or loss items comprise (1) reclassification of the impairment of non-financial assets in the amount of approximately RMB1,932,000 from impairment of financial assets to other net gain; (2) adjustment made to the gross profit after offset in relation to the joint operation agreements in accordance with HKFRS16-Leases, causing an increase in the revenue and the corresponding selling and marketing expenses of approximately RMB1,492,000, respectively; (3) reclassification of the rebates included in the impairment of inventories of approximately RMB1,610,000 from administrative expenses to cost of sales and services; and (4) reclassification of other expenses of approximately RMB1,731,000 from finance costs to administrative expenses.

Litigations made by the Group against suppliers

During the year ended 31 December 2019, 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 prior year. At 31 December 2019, 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 progress.

Capital commitments

At 31 December 2019, the Group had no capital commitment (2018: RMB174 million).

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 2019 (2018: 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 2019, the Group had 480 employees, decreased by 28.9% from 675 employees as at 31 December 2018.

OUTLOOK

Looking forward to 2020, despite China's stable economy with a modest decline under the continuous downward pressure, in light of various positive factors, including government incentives for domestic consumption, huge consumption potentials of third- and forth-tier cities, Home Appliance Subsidy 2.0 and the start of 5G era, the house appliance retail industry still enjoys a bright outlook.

First, the government gives consumption incentives through its policies

On 27 August 2019, the General Office of the State Council issued the Opinions of the General Office of the State Council on Accelerating the Development of Circulation Industry and Promoting Consumer Spending (the "Opinions"), which proposed 20 policy measures to stabilize the consumption expectation and boost consumer's confidence. Of the many measures, highlights are the expansion of rural consumption and encouraging new consumption. The policy breaks the mold of stimulating consumption through subsidies. Instead, it drives consumption through new supplies, new formats, and new models, such as nighttime economy and Internet+.

As a well-established brand in Jiangsu and Anhui regions, the Company will closely capture the opportunities from policy development, keep in mind the three new consumer essential factors of "new customers, new products and new technologies" and explore consumer demand. It will make use of dynamic scenarios to provide sales and service in order to improve customer experience and continue to expand market share. It will keep on optimizing the Company's profitability and solidify its position in the industry.

Second, there are opportunities from a vast rural incremental market

In China, there still exist a large gap between urban and rural areas. At present, refrigerators, washing machines, color TV sets have been popularized and entered the stage of stock replacement. However, in the process of urbanization, air conditioners and kitchen and small appliances ownership are the lowest, the sales of which are still being in the growth stage, and have great potential for growth. Refrigerators and washing machines still have room for growth. The vast rural areas in China are covered with the third- and fourth-tier cities or below. These cities are also the main areas of promoting urbanization rate as advocated by the country in the future.

China's first- and second-tier cities have a population of 363 million; while the population of third-tier cities or below is more than 1 billion, which cities are featured with characteristics such as a large population base, rapid income growth, high marginal propensity to consume and a low level of awareness. As the consumption capacity of consumers in the third- and fourth-tier cities or below gradually emerges, this customer group will inevitably become the main force in the outbreak of new consumer dividends in the household appliances industry. The Group has been deeply engaged in the consumer market of the third- and fourth-tier cities or below, and has formed a good market brand effect and market reputation. After integration, the new team, with rich market experience and market sensitivity, will seize those market opportunities. The Company will align its human resources, capital, assets and technologies to increase its market share in areas from third-tier to emerging cities in East China to become a reputable regional home appliance chain enterprise. We will strategically take an incremental approach to start with third-tier cities and gradually penetrate into emerging cities in a progressive manner in order to achieve full coverage within the region ultimately.

Third, the implementation of "Home Appliance Subsidy 2.0" encourages home appliance consumption

On 29 January 2019, 10 departments including the National Development and Reform Commission jointly issued the Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market (2019), which provided supports to green and smart home appliance sales and promoted upgrades of home appliance products. It marks the official implementation of "Home Appliance Subsidy 2.0" policy. Regarding the promotion and impact of the policy, the National Development and Reform Commission stated that the use of financial subsidies and other methods will help promote efficient and energy-saving smart products. If the policy is promoted nationwide, it is expected to increase sales of 150 million energy-efficient smart home appliances between 2019 and 2021, driving consumption to approximately RMB700 billion.

With the advancement of the Home Appliance Subsidy 2.0 policy, the Group will collect big data and research on customers historical orders in order to effectively understand consumers' shopping habits and preferences, reasonably prepare home appliance retail products, increase the proportion of high-margin products and smart and green home appliance products, which can effectively improve the Group's overall gross profit margin and profitability.

Forth, the new 5G era empowers new consumption

Since 6 June 2019, the Ministry of Industry and Information Technology has issued 5G commercial licenses to the top 4 telecommunication operators including China Telecom, China Mobile, China Unicom and China Broadcasting Network, representing China's entry of the 5G era. On 9 December 2019, the China Academy of Information and Communications Technology released the white paper of "5G+Cloud+AI: Drivers of the New Era of the Digital Economy" (the "White Paper"), which reviewed the state of digital economic development in China and analysed the role of integration and innovation of 5G, cloud computing and AI in the process of digital transformation. The White Paper stated that China's digital economy totalled RMB31.3 trillion in 2018, accounting for 34.8% of the GDP. While the digital economy plays a key role in China's national economy, it also drives the industry's continuous development of the adaptation of internet, online platforms and intelligence.

With the arrival of the 5G era, the Group has integrated OTO and IoT into our products or models to start the use of smart scenarios application in offline stores for better customer experience as well as to improve warehouse and logistics infrastructure, build a good supply chain system and accelerate new consumption strategies. The Group will develop into a new, empowered "new consumption" in the 5G era.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi. The Audit Committee has reviewed the audited annual results of the Group for the year ended 31 December 2019 and has recommended its adoption by the Board.

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 2019 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 these websites.

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

Yangzhou, PRC, 19 April 2020

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