奇点国际有限公司
Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1280)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

1. Revenue for 2019 was approximately RMB469.2 million, representing a decrease of 49.0% 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 8.4%, while that of 2018 was 2.5%.

3. Operating loss for 2019 was approximately RMB84.3 million, while there was operating loss of approximately RMB144.3 million for 2018.

4. Loss for 2019 was approximately RMB96.8 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 preliminary unaudited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Preliminary Unaudited Annual Results") together with the comparative figures for the year ended 31 December 2018.

For the reasons explained in the section headed "Review of Unaudited Annual Results", the Preliminary Unaudited Annual Results set forth in this announcement have not yet been agreed with the Company's auditors. The Preliminary Unaudited Annual Results have been reviewed by the Company's audit committee (the "Audit Committee").

The following are the Preliminary Unaudited Annual Results of the Group as of and for the year ended 31 December 2019, together with the management's discussion and analysis of the Group's financial position and results of operations. The Preliminary Unaudited Annual Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and have not been audited. Investors should bear in mind that the Preliminary Unaudited Annual Results in this announcement may be subject to change.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Revenue	4	**469,239**	920,807
Cost of sales and services		**(429,634)**	(897,603)
Gross profit		**39,605**	23,204
Other income		**9,112**	15,523
Other net gain		**7,654**	7,942
(Impairment losses)/reversal of impairment losses on trade and other receivables, net		**(5,880)**	5,300
Selling and marketing expenses		**(75,154)**	(130,328)
Administrative expenses		**(59,697)**	(65,962)
Operating loss		**(84,360)**	(144,321)
Finance income		**368**	2,270
Finance costs		**(12,840)**	(23,935)
Finance costs – net		**(12,472)**	(21,665)
Share of loss of a joint venture		**—**	—
Share of loss of an associate		**—**	—
Loss before income tax	7	**(96,832)**	(165,986)
Income tax credit	8	**4**	174
Loss for the year		**(96,828)**	(165,812)
Attributable to:			
– Equity holders of the Company		**(98,142)**	(160,731)
– Non-controlling interests		**1,314**	(5,081)
		(96,828)	(165,812)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB per share)			*(Restated)*
– Basic	9	**(0.773)**	(1.291)
– Diluted	9	**(0.773)**	(1.291)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Loss for the year	**(96,828)**	(165,812)
Other comprehensive income or loss for the year	**—**	—
Total comprehensive loss for the year	**(96,828)**	(165,812)
Attributable to:		
– Equity holders of the Company	**(98,142)**	(160,731)
– Non-controlling interest	**1,314**	(5,081)
	(96,828)	(165,812)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
ASSETS			
Non-current assets			
Land use rights		**—**	32,157
Property, plant and equipment		**137,668**	193,776
Right-of-use assets		**87,329**	—
Investment properties		**39,022**	5,066
Intangible assets		**1,340**	297
Interest in joint venture		**—**	—
Interest in associates		**—**	—
Equity investment designated at fair value through other comprehensive income		**600**	600
Total non-current assets		**265,959**	231,896
Current assets			
Inventories		**77,835**	157,530
Trade and bills receivables	5	**11,138**	23,989
Prepayments, deposits and other receivables		**76,394**	101,335
Restricted bank deposits		**23,317**	39,060
Cash and cash equivalents		**23,660**	48,075
Total current assets		**212,344**	369,989
Total assets		**478,303**	601,885

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

	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**16,766**	16,766
Reserves		**(308,594)**	(210,452)
		(291,828)	(193,686)
Non-controlling interests in equity		**24,112**	22,787
Total equity		**(267,716)**	(170,899)
LIABILITIES			
Non-current liabilities			
Borrowings		**59,646**	356,134
Lease liabilities		**51,062**	—
Provision for reinstatement costs		**575**	—
Total non-current liabilities		**111,283**	356,134
Current liabilities			
Trade and bills payables	6	**130,648**	161,654
Accruals and other payables		**40,856**	97,456
Contract liabilities		**29,350**	39,780
Lease liabilities		**19,525**	—
Borrowings		**360,604**	38,000
Current income tax liabilities		**7**	22
Derivative financial instruments		**—**	26,178
Other current liabilities		**53,560**	53,560
Provision for reinstatement costs		**186**	—
Total current liabilities		**634,736**	416,650
Total liabilities		**746,019**	772,784
Total equity and liabilities		**478,303**	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. The Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009, and then changed its name to Huiyin Smart Community Co., Ltd. on 16 July 2015 and further changed to Qidian International Co., Ltd. on 3 January 2020.

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 the 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 net loss attributable to the equity holders of the Company of approximately RMB98,142,000 for the year ended 31 December 2019 and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB422,392,000 and the Group's total liabilities exceeded its total assets by approximately RMB267,716,000.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

The Directors have reviewed the Group's cash flow projections, which cover a period of twelve months from the date of the approval of these consolidated financial statements. In addition, the Directors have also given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. On 14 June 2019, the Company secured a financial support arrangement 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 of the Company, Noble Trade International Holdings Limited, under which Chongqing Saint has given an irrevocable undertaking that it would provide working capital loans for a maximum amount of RMB350 million to the Group as and when necessary to meet its working capital and other needs for a period of 24 months from 14 June 2019.

As such, 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.

* *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;

3 ACCOUNTING POLICIES *(continued)*

(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 weighted average 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	(8,194)
	106,617
Less: Total future interest expenses	(19,644)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and lease liabilities as at 1 January 2019	86,973
Analysed as	
Current	16,709
Non-current	70,264
	86,973

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	86,973
Reclassified from land use rights *(note)*	32,157
Reclassified from prepaid rentals	8,517
	127,647
By class:	
Properties	95,490
Leasehold land	32,157
	127,647

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	86,973	**127,647**
Total non-current assets	231,896	8,517	86,973	**327,386**
Prepayments, deposits and other receivables	101,335	(8,517)	—	**92,818**
Total current assets	369,989	(8,517)	—	**361,472**
Total assets	601,885	—	86,973	**688,858**
Lease liabilities (current)	—	—	16,709	**16,709**
Total current liabilities	416,650	—	16,709	**433,359**
Lease liabilities (non-current)	—	—	70,264	**70,264**
Total non-current liabilities	356,134	—	70,264	**426,398**
Total liabilites	772,784	—	86,973	**859,757**

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 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	**403,712**	849,132
– Sales of mobile phones and computers	**56,348**	—
– New retail business	**—**	64,216
	460,060	913,348
Rendering of services		
– Maintenance and installation service	**9,179**	7,459
Total revenue	**469,239**	920,807

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**469,239**	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 segments.

- Traditional business, including the results from sales of household appliance and mobile phones and computers.

- New retail business, including the results from sales of imported 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	**460,060**	**—**	**9,179**	**—**	**469,239**
Inter-segment revenue	**—**	**—**	**—**	**—**	**—**
Revenue from external customers	**460,060**	**—**	**9,179**	**—**	**469,239**
Operating (loss)/profit	**(64,729)**	**634**	**(888)**	**(19,377)**	**(84,360)**
Finance costs – net					**(12,472)**
Share of loss of a joint venture					**—**
Share of loss of an associate					**—**
Loss before income tax					**(96,832)**
Income tax expense					**4**
Loss for the year					**(96,828)**
Other segment items are as follows:					
Capital expenditure	**1,570**	**—**	**4**	**—**	**1,574**
Addition of other non-current assets	**—**	**—**	**—**	**—**	**—**
Depreciation charge	**6,943**	**12**	**9**	**—**	**6,964**
Amortisation charge	**27,448**	**—**	**292**	**8**	**27,748**
Write - down of inventories	**140**	**—**	**—**	**—**	**140**
Impairment loss on property, plant and equipment	**241**	**—**	**—**	**—**	**241**
(Reversal of impairment loss)/impairment loss on trade receivables	**(201)**	**(295)**	**62**	**—**	**(434)**
Impairment loss on other receivables	**6,082**	**10**	**61**	**161**	**6,314**
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	**9,808**	**(83)**	**—**	**—**	**9,725**

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)
Finance costs – net					(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 assets	—	—	—	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, right-of-use assets and intangible assets.

Segment assets and liabilities as at 31 December 2019 were 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	**467,895**	**840**	**4,668**	**473,403**
Unallocated assets				**4,900**
Total assets				**478,303**
Segment liabilities	**677,351**	**12,034**	**2,065**	**691,450**
Unallocated liabilities				**54,569**
Total liabilities				**746,019**

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, right-of-use assets, 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, amount due from a third party for disposal of a subsidiary 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 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	**(14,973)**	(15,407)
Trade receivables, net	**10,938**	23,099
Bills receivable	**200**	890
Trade and bills receivables, net	**11,138**	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 and bills 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 amounts 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	**114,547**	122,604
Bills payable	**16,101**	39,050
	130,648	161,654

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

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	**10,650**	57,149
31 - 90 days	**1,811**	12,550
91 - 365 days	**5,646**	28,666
1 year - 2 years	**75,822**	21,874
2 years -3 years	**18,302**	2,170
Over 3 years	**2,316**	195
	114,547	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	**429,634**	897,603
Employee benefit expenses (excluding share option scheme expenses)	**31,738**	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	**27,593**	—
Depreciation of property, plant and equipment	**6,272**	10,443
Depreciation of investment properties	**692**	169
Amortisation of intangible assets	**155**	865
Write-down/(reversal of write-down) of inventories	**140**	(15,737)
(Reversal of impairment loss)/impairment loss on trade receivables	**(434)**	1,154
Impairment loss on other receivables	**6,314**	4,798
Impairment loss on property, plant and equipment	**241**	1,500
Reversal of impairment loss on prepayments to Suohai, Zhipu and Mei Zanying	**—**	(18,589)
Impairment loss on prepayments to other suppliers	**9,725**	1,019
Auditor's remuneration		
– Audit services		
Current year	**4,300**	4,000
Prior year	**—**	5,034
Lease payments not included in the measurement of lease liabilities	**1,633**	—
Loss on disposal of property, plant and equipment and right-of-use assets	**16,262**	—

8 INCOME TAX CREDIT

	2019	2018
	RMB'000	*RMB'000*
PRC enterprise 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 Corporate Income Tax Law of the PRC, the enterprise income tax rate applicable to the 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*
		(Restated)
Loss attributable to equity holders of the Company	**(98,142)**	(160,731)
	'000	*'000*
Weighted average number of ordinary shares in issue	**126,898**	124,465
Basic loss per share (RMB)	**(0.773)**	(1.291)

The weighted average number of ordinary shares for the purpose of basic loss per shares has been adjusted for Share Consolidation in February 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 does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

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 RMB469.2 million, representing a decrease of approximately 49% from approximately RMB920.8 million for the year ended 31 December 2018.

The Group recorded a loss of approximately RMB96.8 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 8.4% 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 RMB469.2 million, representing a decrease of 49.0% 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	**460,060**	849,132
– New retail business	**—**	64,216
	460,060	913,348
Rendering of services		
– Maintenance and installation service	**9,179**	7,459
Total revenue	**469,239**	920,807

Cost of sales and services

For the year ended 31 December 2019, the cost of sales and service was approximately RMB429.6 million, decreased by 52.1% 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 RMB39.6 million, increased by 70.7% 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 RMB9.1 million, representing a decrease of 41.3% 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 RMB7.7 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 RMB75.2 million, representing an decrease by 42.3% 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 RMB59.7 million, decreased by 9.5% 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 RMB84.3 million, decreased by 41.5% from approximately RMB144.3 million for the year ended 31 December 2018.

Finance costs – net

For the year ended 31 December 2019, the net financial costs of the Group amounted to approximately RMB12.5 million, representing a decrease by 42.4% in comparison to approximately RMB21.7 million for the year ended 31 December 2018.

Loss before income tax

For the year ended 31 December 2019, the loss before income tax amounted to approximately RMB96.8 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 the Group attributable to equity holders for the year ended 31 December 2019 was approximately RMB98.1 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

As 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

As at 31 December 2019, the Group's inventories amounted to approximately RMB77.8 million, representing a decrease of 50.6% from RMB157.5 million as at 31 December 2018.

Prepayments, deposits and other receivables

As at 31 December 2019, prepayments, deposits and other receivables of the Group amounted to approximately RMB76.4 million, representing a decrease of 24.6% from approximately RMB101.3 million as at 31 December 2018, which was mainly due to impairment in advance payment by Suohai, Zhipu and Meizanying as mentioned previously.

Trade and bills receivables

As at 31 December 2019, trade and bills receivables of the Group amounted to approximately RMB11.1 million, representing a decrease of 53.8% from approximately RMB24.0 million as at 31 December 2018, which was mainly due to the shutdown of Nanjing Lehu.

Trade and bills payables

As at 31 December 2019, trade and bills payables of the Group amounted to approximately RMB130.6 million, representing a decrease of 19.2% from approximately RMB161.6 million as at 31 December 2018, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

As at 31 December 2019, gearing ratio of the Group was 156.0%, 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 RMB420.3 million, representing a increase of 6.6% from RMB394.1 million as at 31 December 2018.

Pledging of assets

As at 31 December 2019, certain land use rights, buildings and investment properties with a total carrying amount of RMB191.0 million had been pledged.

Contingent liabilities

As at 31 December 2019, except for certain unfounded legal claims that the Group does not expect to incur any material loss, the Group has no further contingent liabilities that have not been properly provided.

Capital commitments

As at 31 December 2019, the Group had capital commitment amounted to Nil (2018: RMB174 million) to interest in an associate.

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

As 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.

MATTERS AFTER THE REPORTING PERIOD

Share Consolidation and Change of Company Name

The Company passed an ordinary resolution at the extraordinary general meeting held on 3 January 2020 ("EGM") to implement a share consolidation (the "Share Consolidation") on the basis that every twenty issued and unissued shares of US$0.001 each in the share capital of the Company be consolidated into one consolidated share of US$0.02 each in the share capital of the Company. The board lot size for trading the consolidated shares remains as 2,000. The Share Consolidation became effective on 7 February 2020.

Meanwhile, at the EGM, the Company passed a special resolution to change the company name. The English name of the Company has been changed from "Huiyin Smart Community Co., Ltd." to "Qidian International Co., Ltd." and its dual foreign name in Chinese has been changed from "汇银智慧社区有限公司" to "奇点国际有限公司". The change of name became effective on 3 January 2020.

The stock short name of shares of the Company for trading on the Stock Exchange has been changed from "HUIYIN SMARTCOM" to "QIDIAN INTL" in English and from "匯銀智慧社區" to "奇點國際" in Chinese. The aforesaid changes became effective on 17 February 2020.

For details of the Share Consolidation, change of company name and stock short name and effects of the change of company name, please refer to the announcements/circular dated 3 December 2019, 15 December 2019, 3 January 2020 and 11 February 2020 respectively.

Appointment of Executive Director

Mr. Sun Lejiu was appointed as an executive Director on 9 March 2020.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

Throughout the year ended 31 December 2019, 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 2019.

AUDIT COMMITTEE

The Company has established 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 the independent non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi (appointed on 19 February 2019), including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise. During the year, Mr. Tam Chun Chung resigned as an independent non-executive Director and the chairman of the Audit Committee on 30 January 2019 and Mr. Zhao Jinyong has been appointed as the chairman of the Audit Committee on the same date.

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.

Mr. Tam Chun Chung resigned on 30 January 2019 and Mr. Fung Tak Choi was appointed as an independent non-executive Director on 19 February 2019. From 30 January 2019 to 18 February 2019, the number of members of the Audit Committee was two.

During the year ended 31 December 2019, the Audit Committee held four meetings to review the 2018 interim and annual financial results and 2019 interim results of the Group, all members of the Audit Committee have attended the meetings.

During the year ended 31 December 2019, the Board did not hold a different view from the Audit Committee on the appointment, designation or dismissal of external auditors.

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 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the travel restrictions in force in the People's Republic of China (the "PRC") related to the severe respiratory disease associated with a novel infectious agent namely COVID-19, the auditing process for the final results of the Group for the year ended 31 December 2019 has not been completed. The Preliminary Unaudited Annual Results set out above is extracted directly from the latest unaudited management accounts of the Group for the year ended 31 December 2019 and is subject to changes resulting from, among other things, (i) further review by the Company and relevant professional parties; (ii) the receipt of banking confirmations and other audit confirmations required to complete the audit procedures by the Company's auditors; (iii) audit procedures on subsequent review on receivables and payables by the Company's auditors; and (iv) any potential adjustments that might be necessary. The Preliminary Unaudited Annual Results contained herein have not been agreed with the auditors of the Company as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed by the Company's auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company expects the auditing process will be completed and the audited annual results will be agreed with the auditors of the Company on or before 17 April 2020.

The Preliminary Unaudited Annual Results of the Company have been reviewed by the Audit Committee of the Company. The Directors confirm their responsibilities of preparing the Group's unaudited consolidated financial statements and presenting the results of the Group in a truthful and fair manner.

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.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited annual results of the Group for the year ended 31 December 2019 as agreed by the auditors of the Company and the material differences (if any) as compared with the Preliminary Unaudited Annual Results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) 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. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the progress of the completion of the auditing process.

The financial information contained herein in respect of the Preliminary Unaudited Annual Results have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Yangzhou, PRC, 31 March 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.