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 2022

HIGHLIGHTS

1. Revenue for 2022 was approximately RMB262.3 million, representing a decrease of 12.9% from approximately RMB301.2 million for 2021, mainly attributable to the continuous COVID-19 pandemic, implementation of lockdown measures in the major business area in Anhui, strict management and control in Yangzhou region, adjustment of income structure, quality improvement of income and a reduction in income items with lower profits.

2. Gross profit margin for 2022 was 14.6%, while that for 2021 was 12.1%.

3. Operating loss for 2022 was approximately RMB112.9 million, while there was an operating loss of approximately RMB38.7 million for 2021.

4. Loss for 2022 was approximately RMB137.8 million, while there was loss of approximately RMB62.2 million for 2021. The asset impairment was approximately RMB55.7 million for the 2022, and the provisions increased by approximately RMB16.0 million, representing a larger loss amount as compared to 2021.

The board (the "**Board**") of directors (the "**Directors**") of Qidian International Co., Ltd. (the "**Company**") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Revenue	4	**262,348**	301,173
Cost of sales and services		**(224,123)**	(264,714)
Gross profit		**38,225**	36,459
Other income		**6,432**	5,695
Other net (loss)/gain		**(17,673)**	1,996
Impairment losses on trade receivables		**(497)**	(1,131)
Impairment loss on property, plant and equipment and right-of-us assets		**(55,728)**	—
Selling and marketing expenses		**(36,789)**	(49,329)
Administrative expenses		**(46,869)**	(32,403)
Operating loss		**(112,899)**	(38,713)
Finance income		**274**	156
Finance costs		**(24,889)**	(23,597)
Net finance costs		**(24,615)**	(23,441)
Loss before tax	7	**(137,514)**	(62,154)
Income tax expenses	8	**(311)**	(25)
Loss for the year		**(137,825)**	(62,179)
Attributable to:			
– Owners of the Company		**(136,767)**	(60,036)
– Non-controlling interests		**(1,058)**	(2,143)
		(137,825)	(62,179)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
– Basic	9	**(0.624)**	(0.294)
– Diluted	9	**(0.624)**	(0.294)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
Attributable to:		
– Owners of the Company	**(136,767)**	(60,036)
– Non-controlling interest	**(1,058)**	(2,143)
	(137,825)	(62,179)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**87,472**	128,893
Right-of-use assets		**15,693**	65,707
Investment properties		**33,035**	33,064
Intangible assets		**718**	1,037
Equity investment designated at fair value through other comprehensive income		**600**	600
Total non-current assets		**137,518**	229,301
Current assets			
Inventories		**41,647**	51,466
Trade receivables, net	5	**3,956**	6,772
Prepayments, deposits and other receivables		**38,899**	47,716
Restricted bank deposits		**8,058**	10,600
Cash and cash equivalents		**8,359**	14,619
Total current assets		**100,919**	131,173
Total assets		**238,437**	360,474

	Note	2022	2021
		RMB'000	*RMB'000*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**29,174**	29,174
Reserves		**(517,676)**	(380,909)
		(488,502)	(351,735)
Non-controlling interests		**17,786**	18,844
Total equity		**(470,716)**	(332,891)
LIABILITIES			
Non-current liabilities			
Borrowings		**433,345**	270,626
Lease liabilities		**8,433**	28,113
Provision for reinstatement costs		**311**	486
Total non-current liabilities		**442,089**	299,225
Current liabilities			
Trade and bills payables	6	**123,821**	127,717
Accruals and other payables		**38,488**	40,365
Contract liabilities		**19,115**	19,277
Lease liabilities		**10,577**	16,781
Borrowings		**8,886**	135,053
Other current liabilities		**53,560**	53,560
Provision for litigations		**12,280**	1,225
Provision for reinstatement costs		**337**	162
Total current liabilities		**267,064**	394,140
Total liabilities		**709,153**	693,365
Total equity and liabilities		**238,437**	360,474
Net current liabilities		**(166,145)**	(262,967)

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 the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, 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 include the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the People's Republic of China (the "**PRC**").

2 BASIS OF PREPARATION

2.1 Basis of preparation of consolidated financial statements

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

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of preparation *(continued)*

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

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Group.

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

2.2 Going concern basis

The Group incurred a loss of RMB137,825,000 for the year ended 31 December 2022 (2021: RMB62,179,000) and, as of that date, the Group's current liabilities exceeded its current assets by RMB166,145,000 (2021: RMB262,967,000) and the Group's total liabilities exceeded its total assets by RMB470,716,000 (2021: RMB332,891,000).

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

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

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 17 January 2023, the Company entered into the equity transfer agreement in relation to disposal of 100% equity interest in 揚州來泰商貿集團有限公司 and its subsidiaries (the "Disposal"). Upon the completion of the Disposal, the net current liabilities of the Group will be reduced by approximately RMB180,620,000.

(b) On 19 January 2023, the Group entered into disposal agreement in relation to disposal of properties in PRC at consideration of RMB82,580,000 inclusive of tax payables in cash.

(c) On 27 February 2023 and 14 March 2023, the Group was granted a loans with principal amount of RMB7,600,000 carrying an interest rate of 4.5% per annum from substantial shareholder, available for the Group's working capital and its financial obligations. Such credit facility will be matured after thirty-six months from 27 February 2023 and 14 March 2023 respectively.

(d) On 14 March 2023, the Group was granted a loan with principal amount of RMB 2,100,000 carrying an interest rate of 4.5% per annum from parent company of a substantial shareholder, available for the Group's working capital and its financial obligations. Such credit facility will be matured after thirty-six months from 14 March 2023.

2 BASIS OF PREPARATION *(continued)*

2.2 Going concern basis *(continued)*

(e) On 30 December 2022, Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) ("Chongqing Saint"), the parent company of a substantial shareholder (Noble Trade International Holdings Limited), of the Company has given an irrevocable undertaking that it would provide financial support (including financial support provided) to the Group to meet its financial obligations for a maximum amount of RMB400,000,000 for a period of 18 months from the date of approval of these consolidated financial statements.

(f) The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs.

The Directors 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 APPLICATION OF AMENDMENTS OF HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 5	Annual Improvements to HKFRSs 2018-2020

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

3 APPLICATION OF AMENDMENTS OF HKFRSs *(continued)*

New and amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 8	Accounting Estimates	1 January 2023
Amendments to HKAS 12	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

4 REVENUE AND SEGMENT INFORMATION

(i) Revenue

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

Disaggregation of revenue from contracts with customers

	2022	2021
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business		
– Household appliance	**257,854**	297,021
– New retail business	**—**	—
	257,854	297,021
Rendering of services		
– Maintenance and installation services	**4,494**	4,152
Total revenue	**262,348**	301,173

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**262,348**	301,173

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information

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

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

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

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

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

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

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

The segment results for the year ended 31 December 2022 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	**257,854**	**—**	**4,494**	**—**	**262,348**
Operating loss	**(62,559)**	**—**	**(66)**	**(50,274)**	**(112,899)**
Net finance costs					**(24,615)**
Loss before tax					**(137,514)**
Income tax expense					**(311)**
Loss for the year					**(137,825)**
Other segment items are as follows:					
Depreciation charge	**8,576**	**—**	**7**	**—**	**8,583**
Amortisation charge	**16,520**	**—**	**—**	**—**	**16,520**
Write down of inventories	**3,558**	**—**	**—**	**—**	**3,558**
Impairment loss on trade receivables	**497**	**—**	**—**	**—**	**497**
Impairment loss on prepayments, other receivables and deposits	**926**	**—**	**—**	**—**	**926**
Impairment loss on property, plant and equipment and right of use assets	**55,728**	**—**	**—**	**—**	**55,728**
Loss on disposal of property, plant and equipment and right-of-use assets	**89**	**—**	**—**	**—**	**89**

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

The segment results for the year ended 31 December 2021 are as follows:

Segment results	Traditional business	New retail business	All other segments	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	297,021	—	4,152	—	301,173
Operating loss	(27,723)	—	(424)	(10,566)	(38,713)
Net finance costs					(23,441)
Loss before tax					(62,154)
Income tax expense					(25)
Loss for the year					(62,179)
Other segment items are as follows:					
Depreciation charge	6,330	—	10	—	6,340
Amortisation charge	24,589	—	—	—	24,589
Write down of inventories	961	—	—	—	961
Impairment loss on trade receivables	1,131	—	—	—	1,131
Impairment loss on prepayments, other receivable and deposits	4,753	—	—	—	4,753
Gain on disposal of property, plant and equipment and right-of-use assets	(135)	—	—	—	(135)

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 2022 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	**227,375**	**—**	**1,758**	**229,133**
Unallocated assets				**9,304**
Total assets				**238,437**
Segment liabilities	**620,034**	**—**	**520**	**620,554**
Unallocated liabilities				**88,599**
Total liabilities				**709,153**

4 REVENUE AND SEGMENT INFORMATION *(continued)*

(ii) Segment Information *(continued)*

Segment assets and liabilities as at 31 December 2021 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	354,809	—	2,376	357,185
Unallocated assets				3,289
Total assets				360,474
Segment liabilities	611,351	—	1,024	612,375
Unallocated liabilities				80,990
Total liabilities				693,365

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

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

5 TRADE RECEIVABLES, NET

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**24,459**	26,779
Less: Allowance for credit loss	**(20,503)**	(20,007)
Trade receivables, net	**3,956**	6,772

The credit terms granted to customers by the Group ranges from 30 days to 90 days.

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

	2022	2021
	RMB'000	*RMB'000*
0 - 90 days	**2,772**	5,074
91 - 365 days	**193**	1,394
1 year - 2 years	**1,043**	638
2 years - 3 years	**1,189**	671
Over 3 years	**19,262**	19,002
Total	**24,459**	26,779

5 TRADE RECEIVABLES, NET *(continued)*

All trade 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 receivables as at the end of the reporting period were the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

6 TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**115,871**	117,117
Bills payable	**7,950**	10,600
	123,821	127,717

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:

	2022	2021
	RMB'000	*RMB'000*
0 - 30 days	**6,009**	5,138
31 - 90 days	**1,794**	833
91 - 365 days	**3,062**	7,725
1 year - 2 years	**1,730**	4,595
2 years -3 years	**4,473**	2,303
Over 3 years	**98,803**	96,523
	115,871	117,117

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

7 LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of sales and services	**224,123**	264,714
Employee benefit expenses	**19,851**	22,022
Amortisation of right-of-use assets	**16,520**	24,589
Depreciation of property, plant and equipment	**7,661**	5,417
Depreciation of investment properties	**922**	922
Amortisation of intangible assets	**319**	154
Write down of inventories	**3,558**	961
Impairment loss on trade receivables	**497**	1,131
Impairment loss on prepayments, other receivables and deposits	**926**	4,753
Impairment loss on property, plant and equipment and right of use assets	**55,728**	—
Provision/(Reversal of provision) of litigation	**11,056**	(5,358)
Auditor's remuneration		
– Audit services	**1,786**	1,634
– non audited services	**180**	170
Lease payments not included in the measurement of lease liabilities	**1,507**	1,499
Loss/(gain) on disposal of property, plant and equipment and right-of-use assets	**89**	(135)

8 INCOME TAX EXPENSES

	2022	2021
	RMB'000	*RMB'000*
PRC enterprise income tax ("EIT")		
Provision for the year	**(311)**	(25)
	(311)	(25)

(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 (2021: Nil).

(b) PRC EIT

Under the EIT Law of the PRC, the EIT rate applicable to subsidiaries located in Mainland China is 25% (2021: 25%).

9 LOSS PER SHARE

(a) Basic

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

	2022	2021
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(136,767)**	(60,036)
	'000	*'000*
Weighted average number of ordinary shares in issue	**219,280**	204,060
Basic loss per share (RMB)	**(0.624)**	(0.294)

(b) Diluted

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 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 final dividend was declared by the Company during the year (2021: Nil) and the Board of Directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

11. EVENT AFTER REPORTING PERIOD

On 17 January 2023, the Company entered into the equity transfer agreement in relation to disposal of 100% equity interest in 揚州來泰商貿集團有限公司 and its subsidiaries (the "**Disposal**"), at consideration of RMB1. The Disposal was completed.

On 19 January 2023, the Company entered into the disposal agreement in related to disposal of properties at consideration of RMB82,580,000. The considerations are payable upon completion of the disposal and the directors expected that the disposal will be completed on or before 30 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, under the impact of various factors including complex external environment and continued sporadic domestic resurgences of COVID-19 pandemic, the PRC's economy faced tremendous pressure on recovery. In general, the macroeconomic environment was relatively weak as affected by the significant impact of COVID-19 pandemic on the consumption, the slow down of investment growth and the continuous drop in growth rate of both imports and exports.

BUSINESS REVIEW

During the year ended 31 December 2022 (the "**reporting period**" or the "**year**"), in the complex international and domestic environment with the general trend of weak development of macroeconomy, the growth rate of per capita disposable income and per capita consumption expenditure of the PRC residents recorded a decrease as compared with last year, accompanied by fading of their consumer appetites. The performance of home appliance end sales missed the expectations, the relief of demand was slowed down, and the whole industry was under a gloomy atmosphere.

However, thanks to the improvement of Guizhou Xijiu (貴州習酒) brand, the Maotai-flavor liquor has showed its brand value in the Maotai-flavor liquor industry that the Company entered into. The Maotai-flavor liquor maintains a high speed of growth in recent years despite the macroenvironment that the general liquor market scale tends to be stable. According to the statistics of the China Alcoholic Drinks Association, in the next decade, the market share of Maotai-flavor liquor will continue increasing and it is expected to reach 30%.

As a diversified retail sales enterprise, the Group continuously promotes optimization and improvement in various aspects such as alliance with different industries, aftersales and logistics support, enterprise culture, informatization system, digitalization and internal control system. The Group continuously promotes work in the aspects below:

1. UNDER DIFFERENTIATION OF DOMESTIC DEMAND, FOCUS ON MARKETING AND PAY ATTENTION TO MARKETING BONUS OF EMERGING CHANNELS

Under the macroenvironment of the slowdown of economic growth and complex international situation, consumer goods companies are facing greater challenges, which brings larger demand for differentiated and refined operations. Channels under the COVID-19 pandemic normalization are changing obviously. In terms of online channels, traditional shelves' flow is decreasing, while channels like Douyin are increasing rapidly and in the process of the development dividend period, and the content platform of Xiaohongshu has become the recommendation blue ocean of home appliances category. In terms of offline channels, despite pressures during the COVID-19 pandemic, there is an integration tendency of home appliance channel front-loading with home construction materials, constantly refining and expanding lower tier markets.

The Group, as a home appliance chain retailer in the third- and fourth-tier cities, on the one hand, further explores fragmented channels for marketing, and on the other hand, places more efforts to promote the transformation of various channels. In particular, the Group enhances offline customer experience through redecorating all stores, with comfortable, cozy offline experience as a breakthrough point, which speeds up the integration of multiple channels such as live, short video, WeChat community and the like, so as to improve the Group's retail performance.

2. DEPLOY MAOTAI-FLAVOR LIQUOR FIELD AND STEADILY EXPAND THE MAOTAI-FLAVOR LIQUOR SALES MARKET

According to the China Industry Information Network (中國產業信息網), with the improvement of Guizhou Xijiu brand, most of the domestic major Maotai-flavor liquor brands showed their prominent brand value and ranked top 50 in brand value of liquor. The capacity of Maotai-flavor liquor was still inefficient under the macro background of "capacity reduction" in the general liquor market; market volume therefore will further expand, bringing market opportunities for Maotai-flavor liquor brand.

Based on the current situation of home appliances retail industry, the Company kept exploring and researching new industries and fields. After a period of frequent investigations and on-site visits, the management of the Company considers that the Maotai-flavor liquor industry, a subdivision field of liquor industry, with compound growth rate of 16% during 2010 to 2022 which is much higher than the average growth rate of liquor industry of 1.78%, has its unique development advantages as compared with liquor industry. In addition, according to the public statistics, the number of drinkers in China is over 500 million, and the number of liquor drinkers is over 200 million. Such a demand with high frequency pushes consumption.

As disclosed in the voluntary announcement of the Company dated 13 October 2022 in respect of the establishment of a subsidiary of liquor business and the voluntary announcement of the Company dated 28 November 2022 in respect of the liquor cooperation agreement, the Company aims to open new retail business line on top of home appliances retail business, diversify its retail business and develop a secondary growth curve for business growth, thus steadily enhancing the profitability of the Company. Guizhou Renhuai Guofeng Liquor Company Limited (貴州仁懷國峰酒業有限公司) ("Guizhou Guofeng"), a subsidiary of the Company in liquor industry, launched the exclusive Guofeng Maotai-flavor Liquor (國峰醬酒), which aims at mid-to-high-end market. Being overseen by various China liquor consultants in production technology processes, the Guofeng Maotai-flavor Liquor has guaranteed quality and higher value of collection and tasting. Currently, the Guofeng Maotai-flavor Liquor has been put on the market and sealed. The Company will grasp the development potential of Maotai-flavor liquor to increase its sales revenue and steadily enhance its financial performance.

3. GEARING UP THE MARKET SHARE OF DIVERSIFIED HOME APPLIANCES RETAIL UNDER THE INCREASING SUPPLY-AND-DEMAND

In terms of policy, the PRC government encouraged that local areas shall conduct activities in promoting green and smart home appliances to the countryside and renewal of home appliances, and held a supportive attitude towards the home appliances industry. Meanwhile, the CPC Central Committee and the State Council promoted comprehensive comsumption to speed up the quality enhancement and upgrade of consumption. In terms of demand, there were 180 million new middle-class consumers in the PRC, and the number of middle-class families reached 33.20 million. In respect of technology, with the rapid development of 5G and the Internet of Things, the penetration of high-end home appliances has accelerated. Under various favorable policies, potential customers are being gradually attracted to consume mid-to-high-end home appliances.

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

FINANCIAL REVIEW

Revenue

Revenue for 2022 was approximately RMB262.3 million, representing a decrease of 12.9% from approximately RMB301.2 million for 2021, which is mainly attributable to the continuous impact of COVID-19 pandemic and the sudden outbreak in Yangzhou area in 2022.

Turnover of the Group comprises revenues as follows:

	2022	2021
	RMB'000	*RMB'000*
Types of goods and services		
Sales of goods		
– Traditional business	**257,854**	297,021
– New retail business	**—**	—
	257,854	297,021
Rendering of services		
– Maintenance and installation services	**4,494**	4,152
Total revenue	**262,348**	301,173

Cost of sales and services

For the year ended 31 December 2022, the cost of sales and service was approximately RMB224.1 million, decreased by 15.3% from that of approximately RMB264.7 million for the year ended 31 December 2021, which was due to the adjustment of income structure and gross margin improvement.

Gross profit

For the year ended 31 December 2022, the gross profit was approximately RMB38.2 million, increased by 4.7% from that of RMB36.5 million for the year ended 31 December 2021.

Other income

For the year ended 31 December 2022, other income recorded by the Group amounted to approximately RMB6.4 million, in comparison to other income of approximately RMB5.7 million for the year ended 31 December 2021.

Other net gain/loss

For the year ended 31 December 2022, the Group recorded other net loss of approximately RMB17.7 million, in comparison to other net gain of approximately RMB2.0 million for the year ended 31 December 2021.

Selling and marketing expenses

For the year ended 31 December 2022, the Group's total selling and marketing expenses amounted to approximately RMB36.8 million, representing a decrease by 25.4% from approximately RMB49.3 million for the year ended 31 December 2021.

Administrative expenses

For the year ended 31 December 2022, the Group's total administrative expenses amounted to approximately RMB46.9 million, increased by 44.8% from approximately RMB32.4 million for the year ended 31 December 2021.

Operating loss

For the year ended 31 December 2022, the operating loss amounted to approximately RMB112.9 million, increased by 191.7% from approximately RMB38.7 million for the year ended 31 December 2021, mainly due to impairment loss of assets and provision.

Net finance costs

For the year ended 31 December 2022, the net financial costs of the Group amounted to approximately RMB24.6 million, representing an increase by 5.1% in comparison to approximately RMB23.4 million for the year ended 31 December 2021.

Loss before tax

For the year ended 31 December 2022, the loss before income tax amounted to approximately RMB137.5 million, while the loss before income tax was approximately RMB62.1 million for the year ended 31 December 2021.

Income tax expense

For the year ended 31 December 2022, the income tax expense of the Group amounted to approximately RMB311,000, while the income tax expense was approximately RMB25,000 for the year ended 31 December 2021.

Loss attributable to equity holders of the Company

The loss of attributable to equity holders of the Company for the year ended 31 December 2022 was approximately RMB136.8 million, while the loss attributable to equity holders amounted to approximately RMB60.0 million for the year ended 31 December 2021.

Cash and cash equivalents

As at 31 December 2022, the Group's cash and cash equivalents were approximately RMB8.4 million, representing an decrease of 42.5% from approximately RMB14.6 million as at 31 December 2021.

Inventories

As at 31 December 2022, the Group's inventories amounted to approximately RMB41.6 million, representing a decrease of 19.2% from RMB51.5 million as at 31 December 2021.

Prepayments, deposits and other receivables

As at 31 December 2022, prepayments, deposits and other receivables of the Group amounted to approximately RMB38.9 million, representing a decrease of 18.4% from approximately RMB47.7 million as at 31 December 2021.

Trade receivables

As at 31 December 2022, trade receivables of the Group amounted to approximately RMB4.0 million, representing an decrease of 41.2% from approximately RMB6.8 million as at 31 December 2021.

Trade and bills payables

As at 31 December 2022, trade and bills payables of the Group amounted to approximately RMB123.8 million, in comparison approximately RMB127.7 million as at 31 December 2021.

Gearing ratio and the basis of calculation

As at 31 December 2022, gearing ratio of the Group was 297.4%, increased from that of 192.0% as at 31 December 2021. 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 2022, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2022, the borrowings of the Group amounted to RMB442.2 million, representing an increase of 9.0% from RMB405.7 million as at 31 December 2021.

Pledge of assets

As at 31 December 2022, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB67 million had been pledged (2021: RMB110 million).

Investment properties

The Group's investment properties as of 31 December 2022 and 31 December 2021 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2022 and 31 December 2021 are as follows:

Address	Existing Use	Term of Lease
Guangling Industrial Park, Building 6, West of Shawan Road on the south side of Yinyan Road in Guangling Industrial Park (Huiyin Home Appliances), Jiangsu, PRC	Shop and Warehouse	Medium-term lease
Building 6-10, No. 277 Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu, PRC	Shop	Medium-term lease

Foreign currencies and treasury policy

All the income and the majority of expenses of the Group were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors closely monitor the Group's foreign exchange exposure 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 2022 (2021: 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 and on the basis of the merit, qualifications and level of competence of its staff. Our management (including the Directors) receives a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments. The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The remuneration of other employees of the Group 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 2022, the Group had 267 employees, decreased by 11.6% from 302 employees as at 31 December 2021.

FUTURE OUTLOOK

2023 would be the turning point of internal and external demand. The internal demand will be the key factor of China's economy recovery. Meanwhile, the consumption is expected to recover rapidly after the optimization of pandemic prevention and control measures. The real estate industry is likely to be stable driven by policies, the growth rate of investment and sales is therefore expected to rebound, whereas that of infrastructure investment will maintain at high level.

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

1. THE MARGINAL EASING OF REAL ESTATE POLICY HAS BEEN RELEASED, WHICH STRENGHTHENS THE MARKETING OF HOME APPLIANCES

At the policy level, measures were released by the MOHURD, MOF, PBOC and other relevant ministries on 19 August 2022 which supported the construction and delivery of residential projects that have been sold and overdue and have difficulty in delivery by way of policy-backed special bank borrowings. On 8 November 2022, the NAFMII released policies to support private enterprises financing, with the supportive bond financing of approximately RMB250 billion. On 28 November 2022, the SFC resolved to adjust and optimize 5 measures in respect of supporting equity financing of real estate enterprises, and frequently rolled out stimulus policies on real estate industry.

Home appliances have strong decoration attributes and is a typical industry of the later stage in the real estate cycle. From the perspective of the transmission chain, large home appliance products such as kitchen appliances and white home appliances are more affected by real estate, while small home appliance products are relatively less affected. In general, the growth in the home appliance market can be divided into volume growth and price growth, of which volume growth is mainly derived from new demand and renewal demand. The performance of real estate mainly affects new housing demand in volume growth, as well as the increase in the household appliance ownership in existing homes and renewal demand.

In the future, the Group will, on the one hand, focus on analysing macroenvironment and relevant industry policies, and study the impact of policies on home appliance products. On the other hand, the Group will adjust its marketing strategies in a timely manner, and appropriately increase the sales of kitchen appliances, white appliances and other major home appliances according to the policies and increase sales.

2. STIMULATED BY TERMINAL DEMAND, CONTINUE STRENGTHENING ONLINE AND OFFLINE INTEGRATION

In 2022, it is encouraged in the Report on the Work of the Government that local areas shall conduct activities in promoting green and smart home appliances to the countryside and renewal of home appliances, improve product and service quality, strengthen consumer rights protection, make efforts to meet the needs of customers and increase their willingness to consume. At the same time, in response to the impacts brought by resurgences of COVID-19 pandemic against consumer confidence, vouchers have been issued for home appliances in many places. According to the incomplete statistics from China Business Daily, about 40 regions across the PRC issued vouchers, with a cumulative amount of over RMB5 billion, of which over RMB500 million were issued for the home appliance industry. Most of the supplementary discount rates are 10%-15%.

Stimulated by the demand for retail terminals, as a home appliance retailer in third- and fourth-tier cities, the Group will make fully utilize the policy dividends, and under the expansion of consumer demand, it will increase its efforts to promote channel reform, focus on the integration of online and offline channels, fully leverage on their own advantages in online and offline channels and are committed to improving the retail performance of home appliances.

3. CONSTANTLY INCREASE MARKET SHARE IN MAOTAI-FLAVOR LIQUOR AREA, CONTINUOUSLY IMPROVE RESULTS AND PROFITABILITY

According to the data from Lanjinger (藍鯨財經), the sales income of Maotai-flavor liquor industry will amount to RMB255.6 billion by 2026, with the average annual growth rate maintaining at 6.50%. As the Central Economic Work Conference held at the end of 2022 took the recovery of consumption as the primary development strategy, the Maotai-flavor liquor industry will embrace development opportunities under the economic recovery.

During the reporting period, based on the research and judgment on the unique development advantages of Maotai-flavor liquor, the Company has stepped into the Maotai-flavor liquor area through the establishment of liquor subsidiaries and entering into liquor cooperation agreement, with an aim to open new retail business lines and add Maotai-flavor liquor products on top of home appliance retail business, so as to carry out a diversified retail business. The brand influence and market penetration of Guofeng Maotai-flavor liquor is improved, and the secondary growth curve for business growth can be explored and the profitability of the Company can be steadily enhanced.

In view of the multiple opportunities and challenges in the sustainable development of Maotai-flavor liquor industry, by making best use of the special nature of Maotai-flavor liquor, such as high-end social occasions, strong demand, stable customer base and increasingly young customers, the Company will put efforts on, among others, reshaping consumption occasion, expanding customer source, innovating package design, brand operational ability and digital marketing, to steadily enhance the competitiveness of Maotai-flavor liquor.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") that provides a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of sound internal control, accountability and transparency to all shareholders and also meeting the expectations of the Group's various stakeholders. The Group is also committed to continuously improving these practices and inculcating an ethical corporate culture.

Throughout the reporting year, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from the code provision C.2.1 of the Code. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this announcement, Mr. Yuan Li acted as an executive Director and the chairman of the Board, and assumed the interim duties and responsibilities of the chief executive following the resignation of Ms. Liu Simei on 23 September 2022. However, having considered the nature and extent of the Company's operations, and Mr. Yuan Li's in-depth knowledge and experience in the industry and familiarity with the operations of the Company, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances thereby facilitating the execution of the Group's business strategies and boosting effectiveness of its operation, as well as enabling more effective planning and better execution of long-term strategies.

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 reporting year.

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

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

AUDIT COMMITTEE

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

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

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

During the year, the Audit Committee held two meetings to review the 2021 annual financial results and 2022 interim results, all members of the Audit Committee had attended the meetings.

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

During the year, the Audit Committee also met the external auditor without the presence of the Executive Directors.

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

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

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Yangzhou, PRC, 15 March 2023

As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, namely Mr. Yuan Li and Mr. Xu Xinying; one non-executive Director, namely Ms. Xu Honghong, and three independent non-executive Directors, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi.