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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

ANNUAL REPORT | 2020


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CONTENTS

The English names of the PRC entities mentioned in this annual report marked "" are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

Corporate Information

EXECUTIVE DIRECTORS

Mr. Yuan Li *(Chairman)*
Mr. Xu Xinying *(Vice-chairman)*
Ms. Liu Simei *(Chief Executive Officer)*
Mr. Sun Lejiu

NON-EXECUTIVE DIRECTOR

Ms. Xu Honghong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Jinyong
Mr. Chen Rui
Mr. Fung Tak Choi

COMPANY SECRETARY

Ms. Cheung Chit San, *ACG, ACS*

AUDIT COMMITTEE

Mr. Zhao Jinyong *(Chairman)*
Mr. Chen Rui
Mr. Fung Tak Choi

REMUNERATION COMMITTEE

Mr. Zhao Jinyong *(Chairman)*
Mr. Yuan Li
Mr. Chen Rui

NOMINATION COMMITTEE

Mr. Chen Rui *(Chairman)*
Mr. Zhao Jinyong
Mr. Fung Tak Choi

AUTHORISED REPRESENTATIVES

Mr. Yuan Li
Ms. Cheung Chit San

REGISTERED OFFICE

Floor 4 Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA

6/F, Tower 2
Guotai Building
No. 440 Wenchang Xi Road
Yangzhou City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications (Yangzhou Branch)
No. 2 Wenhe North Road
Yangzhou City
Jiangsu Province
PRC

Agricultural Bank of China (Runyang Sub-branch)
No. 47 Hanjiang Road
Yangzhou City
Jiangsu Province
PRC

China Merchant Bank (Yangzhou Branch)
Haiguan Building, West Wing
No. 12 Wenchang West Road
Yangzhou City
Jiangsu Province
PRC

China Citic Bank (Yangzhou Branch)
No. 171 Weiyang Road
Yangzhou City
Jiangsu Province
PRC

STOCK CODE

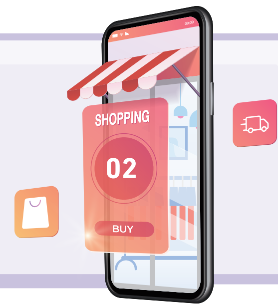
1280

WEBSITE OF THE COMPANY

www.hyjd.com
(information on the website does not form part of this annual report)

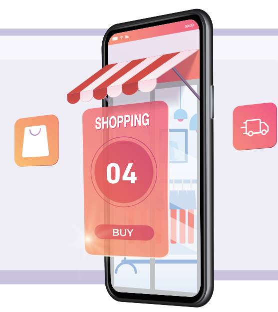
Financial and Operational Highlights

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



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

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



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

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Qidian International Co., Ltd. (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2020.

Chairman's Statement

2020 represented a challenging year for service and retail distribution industries, as the outbreak of the COVID-19 pandemic (the "pandemic") had a huge shock and impact on these industries. The home appliance distribution industry in which the Company operates was also significantly affected.

Fortunately, the outbreak of the pandemic stimulated the "live stream economy" and the "stay-at-home economy", which reshaped the three key elements of retail: people, product and place. The continuous technological innovation accelerated the fragmentation of the 'place' for retail business, which has become an obvious trend. The evolution of the information technology field empowered consumers in aspects such as obtaining product information, purchase methods and shopping experience, which in turn promoted the transformation of online traffic from "fixed-end concentration" to "mobile-end concentration" and further to "mobile-end dispersion", online and offline integration, and eventually contributed to the current landscape of highly fragmented traffic. In the future, the Company will focus more on the structuring and developing the key retail elements of "people, product and place" around private traffic.

"Digitalization" can help us understand consumer demand and consumption capacity in the market more efficiently. The Company intends to build data-based platforms focusing on areas such as the acquisition of private traffic, merchandise inventory and commercial operations in order to effectively reduce waste caused by a mismatch in information regarding supply and demand of consumers. This will improve the Company's efficiency by reducing costs and expenses, and also empower our market peers to accurately locate consumer demand and segments to create a scaling up of such practices for the industry as a whole.

Soumya Swaminathan, Chief Scientist of the World Health Organization, said in a seminar of the Financial Times that it may be four or five years before the pandemic would be under control worldwide. This means that we will co-exist with the COVID-19 virus between 2021-2025, which creates new demands on the home appliance industry. For example, consumers may have increased demands for health, disinfection and air cleaning features in selecting home appliances. A crisis is also an opportunity.

2021 is the first year of China's 14th Five-Year Plan which has put forth a number of measures and initiatives to boost residents' consumption capacity, improve consumption environment and explore new growth areas for consumption, including, among others: to promote consumption of durable consumer goods such as home appliances, optimize recovery and disposal system for obsolete home appliances, provide support for home appliances trade-in programmes and drive the consumption of home appliances. Such measures and initiatives also include the vigorous promotion of e-commerce, the development of a three-tier (county-township-village) e-commerce service system and logistics system, guiding the extension of modern services towards rural areas, and stimulating consumption in rural areas.

In addition to the policy support, the maturation and increased commercial use of 5G technology will also present brand-new opportunities for the development of retail industry by bringing about new business models, new consumer environments, new products, new experiences and new services. According to the forecast by the United Nations, China will, during the 14th Five-Year Plan period, have 300 million senior citizens, a middle-class population of 560 million, 180 million people born after 1990 and a large post-2000s and post-2010s population. These four categories of populations represent a huge market because they are not only the major target audience of the favorable consumption policies, but also the principal consumer group targeted by new consumption models and the optimized product offerings.

Chairman's Statement

Meanwhile, in response to the booming consumption of upgraded and new-generation home appliance resulting from favorable policies and the pandemic, as well as new needs in the era of smart home and 5G, the Company will closely follow the changing times. By leveraging our proprietary brands, the Company will grasp the potential of the rural market and increase rural consumption of home appliances. At the same time, the Company will make full use of the power of technology to continue balancing customer-acquisition cost, logistics cost and customer experience and effectively develop and deploy new consumption models empowered by technology.

Finally, on behalf of the Board, I would like to express my wholehearted thanks to all shareholders and investors who have shown their care and support to the Company. The continuous efforts of all staff members of the Group are highly respected and appreciated by us, and we would also like to extend our sincere gratitude to different sectors of the community for their support. We will continue to balance the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Company.

I am very confident to lead all employees of the Group to overcome all challenges and further advance the Group's new consumption strategy with technological empowerment.

Yuan Li
Chairman

Hong Kong, 22 March 2021

Management Discussion and Analysis

MARKET REVIEW

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

BUSINESS REVIEW

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

Management Discussion and Analysis

1. EFFECTIVELY INTEGRATING THE SUBSIDIARY MANAGEMENT EXPERIENCE

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

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

On 13 March 2020, 23 departments including the National Development and Reform Commission, the Publicity Department of the Central Committee of the Communist Party of China, and the Ministry of Education jointly issued the Implementation Guidelines on Promoting Consumption Expansion and Quality Improvement to Accelerate the Formation of a Strong Domestic Market (《關於促進消費擴容提質加快形成強大國內市場的實施意見》) (the "Implementation Guidelines"), putting forward a series of policies and measures to concentrate efforts on building an integrated urban-rural consumption network and continuously hoisting the spending power of residents. The Implementation Guidelines focus on promoting the integrated development of urban and rural consumption and intensify efforts to develop an integrated urban and rural consumption network from three aspects of building up consumption centers based on the regional development plans, optimizing the distributions of commercial outlets in urban and rural areas, and strengthening the construction of consumption and logistics infrastructure. All these have demonstrated the national policy supports for the rural market.

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

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

In recent years, the rapid development of home central air-conditioning system and underfloor heating system are gradually bringing along the evolution of comfortable home systems including domestic central air-conditioning, domestic fresh air systems, domestic water purification systems, and domestic water heating systems. Though it is still in the growth stage in China, the average annual growth rate of the comfort home system is expected to exceed 30% in the future, which means the market prospects are very broad, and there is a huge market space awaits later exploration.

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

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

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

The Group adjusted its product selection strategy in a timely manner. Under the guidance of the policy of building a smart home ecosystem, it spent more efforts in selecting healthy and smart home appliances with extra emphasis being put on the healthy and smart functions and personalized needs of the products, and continued to optimize the supply chain.

FINANCIAL REVIEW

Revenue

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

Turnover of the Group comprises revenues as follows:

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

Cost of sales and services

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

Management Discussion and Analysis

Gross profit

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

Other income

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

Other net gain

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

Selling and marketing expenses

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

Administrative expenses

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

Operating loss

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

Net finance costs

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

Loss before tax

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

Income tax (expense)/credit

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

Loss attributable to equity holders of the Company

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

Cash and cash equivalents

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

Inventories

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

Prepayments, deposits and other receivables

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

Trade and bills receivables

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

Trade and bills payables

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

Gearing ratio and the basis of calculation

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

Liquidity and financial resources

For the year ended 31 December 2020, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2020, the borrowings of the principal of the Group amounted to RMB366.9 million.

Pledge of assets

At 31 December 2020, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB186.4 million had been pledged (2019: RMB191.0 million).

Significant investments, acquisitions and disposals

For the year ended 31 December 2020, the Group had no significant investments, acquisitions and disposals.

Contingent liabilities

Except for those as disclosed in note 40 to the consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2020.

Management Discussion and Analysis

Investment Properties

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

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

Litigations made by the Group against suppliers

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

Capital commitments

At 31 December 2020, the Group had no capital commitment (2019: nil).

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 had not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

Final dividend

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

Employment and remuneration policy

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

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

On 5 March 2010, the Company adopted a share option scheme to grant options to eligible participants so as to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants. The aforementioned share option expired on 5 March 2020. Details of the share option scheme are set out in the paragraphs headed "Share Option Scheme" in this annual report.

Human resources

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

Remuneration of Directors and Senior Management

Please refer to note 14 to the consolidated financial statements for details of remuneration of the Directors for the year ended 31 December 2020.

Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out on in the section headed "Directors' and Senior Management's Profile" on pages 37 to 40 of this annual report, for the year ended 31 December 2020 are set out below.

Remuneration bands (RMB)	Number of individuals (Note)
0 – 100,000	10
100,001 – 500,000	9

Note: Mr. Xin Kexia resigned as an Executive Director on 15 July 2020.

FUTURE OUTLOOK

2021 is the first year of the "14th Five-Year Plan". Looking ahead to 2021, China's economy will continue to maintain a strong momentum to recover and is expected to return to normal levels, while the annual GDP growth is expected to rebound significantly on the basis of the low base effect. Looking at the home appliance industry as a whole, as driven by the gradual recovery of completion of real estate, favorable industry policies and others, its fundamentals will steadily improve. Based on the research and judgment of the macroeconomic situation and the industry which continues to pick up with good momentum and with reference to the recent industry policies issued by the government, the Group will focus on the following tasks in the future:

Management Discussion and Analysis

1. CONTINUING TO OBTAIN INCREMENTAL MARKET

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

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

2. IMPLEMENTING NEW MARKETING TRANSFORMATION

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

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

In recent years, due to major changes in the economic environment such as geopolitical games and the pandemic, China's economic growth has faced certain downward pressure, and new digital technologies represented by industrial internet, big data, cloud computing, artificial intelligence, blockchain, and the Internet of Things have been increasingly integrated with the real economy.

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

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

Affected by the pandemic, the home appliance industry has shown a new trend of consumption upgrade and product upgrade, in which healthy small home appliances for cleaning and health, cooking and personal care such as cleaning machines, electric mops, sweeping robots, vacuum cleaners, high-speed blender, air fryer, grilling machines, stand mixer and massager have recorded obvious increase in sales; At the same time, the sales of full-suite home appliances will also improve with the increasing demand for medium and high-end products attributable to the rapid growth of the number of middle-and high-income families and Chinese consumers' increasing demand for higher quality and high-end products (including new demand and replacement demand).

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

Management Discussion and Analysis

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

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

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

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

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

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises eight members, consisting of four executive Directors, one non-executive Director, and three independent non-executive Directors:

Executive Directors:
Mr. Yuan Li, Chairman and member of the Remuneration Committee
Mr. Xu Xinying, Vice-chairman
Ms. Liu Simei, Chief Executive Officer
Mr. Sun Lejiu

Non-executive Director:
Ms. Xu Honghong

Independent Non-executive Directors:
Mr. Zhao Jinyong, Chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee
Mr. Chen Rui, Chairman of the Nomination Committee, member of the Audit Committee and the Remuneration Committee
Mr. Fung Tak Choi, member of the Audit Committee and the Nomination Committee

The biographical information of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 37 to 40 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Corporate Governance Report

Save as disclosed in the section headed "Directors' and Senior Management's Profile" on pages 37 to 40 of this annual report, there are no financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, and of whom at least one independent non-executive Director must possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation of independence from each of its Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

Each of the Non-executive Directors (including Independent Non-executive Directors) brings a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all the Non-executive Directors make various contributions to the strategic direction of the Company.

Chairman and Chief Executive Officer

During the year ended 31 December 2020, the Company has adopted and complied with code provision A.2.1 of the CG Code which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the Group's Chief Executive Officer should be clearly established and set out in writing. Mr. Yuan Li is the Chairman of the Company who provides leadership and is responsible for the effective functioning and leadership of the Board, while Ms. Liu Simei was the Chief Executive Officer of the Company who focuses on the Company's business development and daily management and operations generally.

Appointment, Re-election and Removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors (including independent non-executive directors) shall be appointed for a specific term, subject to re-election.

Each of the Executive Directors entered into a service contract with the Company for a term of three years commencing on the respective date of their appointment. Each of their appointment can be terminated by either party giving not less than three months' prior notice in writing to the other. Mr. Yuan Li entered into a service contract with the Company commencing on 26 August 2020. Mr. Xu Xinying is re-designated from Non-executive Director to Executive Director and entered into a service contract with the Company commencing on 29 December 2020. Ms. Liu Simei was appointed as an Executive Director on 29 December 2017, resigned on 27 April 2018 and was re-appointed as an Executive Director on 3 May 2018. She has entered into a service contract with the Company on 3 May 2018. Mr. Sun Lejiu was appointed as an Executive Director on 9 March 2020 and entered into a service contract with the Company on the same date.

Each of the Non-executive Directors (including Independent Non-executive Directors) entered into an appointment letter with the Company for a term of three years commencing on 8 March 2019 for Ms. Xu Honghong, Non-executive Director; on 29 December 2017 for Mr. Zhao Jinyong, Independent Non-executive Director, on 4 July 2018 for Mr. Chen Rui, Independent Non-executive Director; and on 19 February 2019 for Mr. Fung Tak Choi, Independent Non-executive Director. The appointment of each of the Non-executive Directors (including Independent Non-executive Directors) can be terminated by either party giving not less than three months' prior notice in writing to the other.

Code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In accordance with the Company's articles of association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

According to article 16.18 of the articles of association of the Company, Mr. Xu Xinying, Ms. Liu Simei and Mr. Fung Tak Choi shall retire and offer themselves for re-election at the forthcoming annual general meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the articles of association of the Company. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director has received induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant.

Records of training received by each existing Director are summarized below:

Directors	Types of Training
Mr. Yuan Li	B
Mr. Xu Xinying	B
Ms. Liu Simei	B, C
Ms. Xu Honghong	B
Mr. Zhao Jinyong	B
Mr. Chen Rui	B
Mr. Fung Tak Choi	B
Mr. Sun Lejiu	B

A *Attending in-house briefing(s)*
B *Attending seminar(s) and training(s)*
C *Reading materials relating to directors' duties and responsibilities*

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" on page 2.

Corporate Governance Report

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

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

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

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

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

Remuneration Committee

The Company established the remuneration committee (the "**Remuneration Committee**") with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management; assessing the performance of Executive Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises one Executive Director, Mr. Yuan Li and two Independent Non-executive Directors, Mr. Zhao Jinyong and Mr. Chen Rui. Mr. Zhao Jinyong has been appointed as the chairman of the Remuneration Committee.

During the year, the Remuneration Committee held two meetings, to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Executive Directors and senior management.

Nomination Committee

The Company established the nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

The Nomination Committee consists of three members, Mr. Chen Rui, Mr. Zhao Jinyong and Mr. Fung Tak Choi, all of whom are Independent Non-executive Directors. Mr. Chen Rui has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year, the Nomination Committee held two meetings, to review the structure, size and composition of the Board and the independence of the independent non-executive directors. The Nomination Committee considers that an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Procedure

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a nomination procedure which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

	Attendance/Number of Meetings				
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Annual Extraordinary General Meetings
Executive Directors					
Mr. Yuan Li	8/10	N/A	2/2	N/A	2/2
Mr. Xu Xinying	9/10	N/A	N/A	N/A	0/2
Ms. Liu Simei	10/10	N/A	N/A	N/A	2/2
Mr. Xin Kexia *(resigned on 15 July 2020)*	7/10	N/A	N/A	N/A	0/2
Mr. Sun Lejiu *(appointed on 9 March 2020)*	8/10	N/A	N/A	N/A	0/2
Non-executive Directors					
Ms. Xu Honghong	9/10	N/A	N/A	N/A	0/2
Independent Non-executive Directors					
Mr. Zhao Jinyong	10/10	2/2	2/2	4/4	2/2
Mr. Chen Rui	9/10	2/2	2/2	4/4	2/2
Mr. Fung Tak Choi	10/10	2/2	N/A	4/4	0/2

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of the other Executive Directors to discuss the business of the Company during the year.

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.

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.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's and the Group's financial statements, which are put to the Board for approval.

Risk Management and Internal Controls

The Board has overall responsibility for the risk management and internal control systems of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group.

The risk management and internal control systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

An internal audit function is set up to examine key issues in relation to the financial and operational matters and practices and to provide the findings and any recommendations for improvement to the Audit Committee.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorized access and use of information are strictly prohibited.

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board will continue to assess the effectiveness of the Group's risk management and internal controls by considering reviews performed by the Audit Committee and executive management.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on pages 41 to 47.

For the year ended 31 December 2020, the fees paid/payable with respect of audit and non-audit services provided by the Company's external auditor are approximately RMB1.917 million. Details of the service fees are set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
Current year	1,735
Non-audit Services	182
Total	1,917

Corporate Governance Report

COMPANY SECRETARY

Ms. Ngai Kit Fong has resigned as company secretary with effect from 1 July 2020. Ms. Wan Yin Yee, a manager of Tricor Services Limited, an external service provider, has been engaged by the Company as the company secretary since 1 July 2020. Ms. Wan has resigned as company secretary of the Company with effect from 5 February 2021, and Ms. Cheung Chit San, a manager of the Corporate Services division of Tricor Services Limited, has been appointed to replace Ms. Wan since then. The primary contact person of the company secretary at the Company is Ms. Liu Simei, the Chief Executive Officer of the Company.

Ms. Wan and Ms. Cheung confirmed that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.hyjd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company or via email to laq@ssdjz.cn for any enquiries.

The Board welcomes the view of shareholders and encourages them to attend general meetings to raise any concern they might have with the Board or the management directly. Board members (or their delegates as appropriate) and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

POLICY RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure the shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Board aims to declare and recommend dividends which would amount in total to not less than 15% of the annual net profit of the Company to its shareholders according to HKFRSs, subject to a basket of conditions and factors. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner and pay any dividend at all.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders (or one shareholder which is a recognised clearing house) holding not less than one-tenth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "**Requisitionist(s)**") (as the case may be) pursuant to article 12.3 of the Company's articles of association. The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the principal office of the Company in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	6/F, Tower 2, Guotai Building, No. 400 Wenchang Xi Road, Yangzhou City, Jiangsu Province, PRC
Fax:	86-514-87370101
Email:	laq@ssdjz.cn

Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) together with their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board of the Company in writing for the Board's consideration not less than 7 days prior to the date of a general meeting. Contact details of the Board are the same as set forth above in this section.

During the year, the Company has not made any changes to its articles of association. An up-to-date version of the articles of association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the articles of association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the Company's articles of association and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hyjd.com) immediately after the relevant general meetings.

GOING CONCERN

There are no material uncertainties relating to events or conditions that would cast significant doubt upon the Company's and the Group's ability to continue as a going concern.

An analysis of the financial risk on liquidity of the Group is included in note 2 to the consolidated financial statements.

Report of the Directors

The Board of Directors of the Company is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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 in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

The business review of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the section headed "Management Discussion and Analysis" section of this annual report. The financial risk management objectives and its valuation processes of the Group are set out in note 46(b) to the consolidated financial statements. The review forms part of this report.

ENVIRONMENTAL POLICY

The Group has endeavored to protect the environment by minimizing environmental adverse impacts in daily operations, such as investing in energy-efficient lighting and equipment, enhancing paper recycling to reduce consumption and waste, and raising the environmental awareness of our people. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organization.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands with its shares listed on the Main Board of Stock Exchange. The Group mainly carries out retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations in the Cayman Islands, Hong Kong and the PRC during the year.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the key relationships between the Company and its employees, customers and suppliers are set out in the paragraphs headed "Employment and Remuneration Policy", "Human Resources" and "Major Customers and Suppliers" in this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 48 to 127 of this annual report.

The Company has not declared any interim dividend during the year. The Directors do not recommend any payment of final dividend in respect of the year.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 51 and in note 34 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and Company are set out in Notes 34 and 51 to the consolidated financial statements.

Under the Companies Law, a Company may make distribution to its shareholders out of the share premium account under certain circumstances.

As at 31 December 2020, there is no reserves available for distribution to shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the applicable laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in note 50 to the consolidated financial statements.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report have been:

Executive Directors

Mr. Yuan Li
Mr. Xu Xinying
Ms. Liu Simei
Mr. Sun Lejiu (appointed on 9 March 2020)
Mr. Xin Kexia (resigned on 15 July 2020)

Non-executive Directors

Ms. Xu Honghong

Independent Non-executive Directors

Mr. Zhao Jinyong
Mr. Chen Rui
Mr. Fung Tak Choi

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the annual general meeting has entered into or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors of the Company are set out in the section headed "Directors' and Senior Management's Profile" section on pages 37 to 40 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020 and up to the date of this report, no Directors are considered to have interests, either directly or indirectly, in a business which competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules.

CONNECTED TRANSACTIONS

On 22 May 2020, certain wholly-owned and non-wholly-owned subsidiaries of the Company entered into a supplemental agreement to a previous cooperation agreement with a minority shareholder of the Company and the minority shareholder's non-wholly-owned company, pursuant to which, transfer of certain equity was to be made between two wholly-owned subsidiaries of the Company (the transferring subsidiary as "Transferor" and the transferee subsidiary as "Transferee") as part of the internal restructuring of the Group and the Transferee shall grant an a pledge over that same equity interest in favour of the said minority shareholder as security for payment of certain outstanding contingent consideration pursuant to certain co-operation agreement entered into between the Transferor and the said minority shareholder. As the minority shareholder's non-wholly-owned company is a connected person at subsidiary level, the transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules. The details of such transaction were disclosed in the announcement of the Company dated 22 May 2020.

Save as disclosed above, during the year ended 31 December 2020, there were no connected transactions or continuing connected transactions to be reviewed or disclosed.

RELATED PARTY TRANSACTIONS

The significant related party transactions are set out in note 48 to the consolidated financial statements. For those related party transactions that constituted connected transactions or continuing connected transactionsj under Chapter 14A of the Listing Rules, the Company has disclosed such connected transactions in accordance with the disclosure requirements in Chapter 14A of the Listing Rules. Save as disclosed in this section, other related party transactions disclosed in note 48 to the consolidated financial statements are not considered as connected transactions, or are exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to therein, or under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 14 in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Yuan Li (Note)	The Company	Interest of controlled corporation	28,455,000 Shares(L)	15.57%

(L) denotes long position

Note:

The 28,455,000 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司)("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd.*(重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an Executive Director as to 40.44%.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND SECURITIES OF THE COMPANY

As at 31 December 2020, the interests or short positions of those persons (other than Directors or chief executives whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd. (Note 1)	The Company	Interest of controlled corporation	28,455,000 shares (L)	15.57%
Noble Trade International Holdings Limited* (聖行國際集團有限公司) (Note 1)	The Company	Beneficial owner	28,455,000 shares (L)	15.57%
Chongqing Saint Information Technology Co., Ltd. (重慶聖商信息科技有限公司) (Note 1)	The Company	Interest of controlled corporation	28,455,000 shares (L)	15.57%
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (Note 2)	The Company	Beneficial owner	23,755,306 shares (L)	13.00%
Shan Weiwei (Note 2)	The Company	Interest of controlled corporation	23,755,306 shares (L)	13.00%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	The Company	Beneficial owner	18,400,210 shares (L)	10.07%
Sun Yan (Note 3)	The Company	Interest of controlled corporation	18,400,210 shares (L)	10.07%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (Note 4)	The Company	Beneficial owner	13,679,604 shares (L)	7.49%
Chen Bo (Note 4)	The Company	Interest of controlled corporation	13,679,604 shares (L)	7.49%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	7.17%

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	7.17%
BOCE(Hong Kong) Co., Limited (Note 5)	The Company	Beneficial owner	13,095,000 shares (L)	7.17%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司 (Note 6)	The Company	Beneficial owner	11,955,181 shares (L)	6.54%
Cao Kuanping (曹寬平) (Note 6)	The Company	Interest of controlled corporation	11,955,181 shares (L)	6.54%
Mao Shanzhen (茅善珍) (Note 6)	The Company	Spouse interest	11,955,181 shares (L)	6.54%

(L) Denotes long position

Notes:

(1) The 28,455,000 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd. which was owned by Mr. Yuan Li, an Executive Director as to 40.44%.

(2) The 23,755,306 shares were held by Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) ("Oupu Shanwei") as beneficial owner. Oupu Shanwei was 100% wholly-owned by Mr. Shan Weiwei.

(3) The 18,400,210 shares were held by Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) ("Ruihong Yixing") as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.

(4) The 13,679,604 shares were held by Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) ("Teng Chun Tak Sing") as beneficial owner. Teng Chun Tak Sing was 100% wholly-owned by Mr. Chen Bo.

(5) The 13,095,000 shares were held by BOCE (Hong Kong) Co., Limited ("BOCE") as beneficial owner. BOCE was wholly owned by Baoshi (Tianjin) E-commerce Company Limited which was owned by Tianjin Bohai Commodity Exchange Corporation as to 99%.

(6) The 11,955,181 shares were held by China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) ("Ruike") as beneficial owner. Mr. Cao Kuanping holds 100% interests of Ruike. Ms. Mao Shanzhen is the spouse of Mr. Cao Kuanping.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

SHARE OPTION SCHEME

On 5 March 2010, the Company adopted a share option scheme (the "**Share Option Scheme**"), which has expired on 5 March 2020.

During the year ended 31 December 2020, 1,644,000 share options (adjusted upon share consolidation on 7 January 2020, details of which are set out in the Company's announcements/circular dated 3 December 2019, 15 December 2019 and 3 January 2020) were cancelled or lapsed.

Movement of the share options under the Share Option Scheme during the reporting period are set out in the below table.

	Number of share options				
Name	Adjusted number of share options as the result of share consolidation As at 1 January 2020	Granted during the reporting period	Exercised during the reporting period	Forfeited during the reporting period	As at 31 December 2020
Employees	719,000	—	—	(719,000)	—
Others (Note)	925,000	—	—	(925,000)	—
	1,644,000	—	—	(1,644,000)	—

Note: Others are the former Directors and their associate.

The details of the share option scheme are set out below and have been adjusted as a result of the share consolidation as set out in the section headed "Share Consolidation and Change of Company Name" of this report.

The 100,000,000 share options granted on 14 May 2015, among which 21,500,000 share options (which were subsequently adjusted to 1,075,000 share options as a result of share consolidation with effect from 7 January 2020) were outstanding as at 1 January 2020, became exercisable in accordance with the following vesting schedule and were lapsed on 13 May 2020:

(i) half of share options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 August 2015 and ending on 13 May 2020;

(ii) the remaining half of share options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 May 2016 and ending on 13 May 2020.

The adjusted exercise price was HK$33.8.

The 145,680,000 share options granted on 22 December 2015, among which 11,380,000 share options (which were subsequently adjusted to 569,000 share options as a result of share consolidation with effect from 7 January 2020) were outstanding as at 1 January 2020, was exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025 and had all lapsed during the year.

The adjusted exercise price was HK$19.0.

Further details including the valuation of the share options are set out in note 41 to the audited consolidated financial statements of this annual report.

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 January 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 "匯銀智慧社區有限公司" 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 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.

ISSUE AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

(1) On 28 May 2020, the Company allotted and issued an aggregate of 25,379,600 ordinary shares (the "Subscription Shares") to Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) and Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (the "Subscription I") for the purpose of improving the gearing ratio of the Company, strengthening its capital structure and optimizing the shareholders base of the Company. The Subscription Shares have an aggregate nominal value of US$507,592 and the market value of the Subscription Shares was HK$34,262,460 based on the closing price on the date of signing the subscription agreements. The subscription price was fixed at HK$1.09 per Subscription Share and the net subscription price was of approximately HK$1.076 per Subscription Share.

    The gross proceeds from the Subscription I was approximately HK$27.7 million. After deducting related professional fees and all related expenses of approximately HK$0.4 million borne by the Company under the Subscription, the net proceeds from the Subscription I amounted to approximately HK$27.3 million. As at 31 December 2020, the net proceeds raised from the Subscription I were applied in accordance with the planned use of proceeds as set out the announcement of the Company dated 18 May 2020. The Directors are not aware of any material change or delay in the use of proceeds.

    For details of the Subscription, please refer to the announcements of the Company dated 18 May 2020 and 28 May 2020.

(2) On 16 September 2020 and 22 September 2020, the Company allotted and issued an aggregate of 30,455,520 ordinary shares (the "Subscription Shares II"), each a Subscription Share II to Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) and Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (the "Subscription II") for the purpose of improving the gearing ratio of the Company, strengthening its capital structure and optimizing the shareholders base of the Company. The Subscription Shares II have an aggregate nominal value of US$609,110. The subscription price was fixed at HK$1.29 per Subscription Share II and the net subscription price was of approximately HK$1.277 per Subscription Share II.

The gross proceeds from the Subscription II was approximately HK$39.3 million. After deducting related professional fees and all related expenses of approximately HK$0.4 million borne by the Company under the Subscription, the net proceeds from the Subscription II amounted to approximately HK$38.9 million. As at 31 December 2020, approximately HK$15.3 million of the net proceeds raised from the Subscription II were applied in accordance with the planned use of proceeds as set out the announcement of the Company dated 7 September 2020 (i.e. approximately HK$12.0 million for settlement of trade and bills payables; and approximately HK$3.3 million as general working capital). The unused proceeds of approximately HK$23.6 million have been placed as deposits with licensed banks in the PRC and Hong Kong and are intended to be used to settle the trade and bills payables and as general working capital to finance the Group's businesses and fund potential developments during 2021.

The Directors are not aware of any material change or delay in the use of proceeds.

For details of the Subscription II, please refer to the announcements of the Company dated 7 September 2020, 16 September 2020 and 22 September 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "Share Capital and Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during the year, there was no transaction, agreement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director or his connected entity had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group was entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against its directors of the Company.

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

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

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2020 are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 6.14% of the Group's total revenue and sales to the largest customer accounted for approximately 2.80% of the Group's total revenue for year 2020. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 20.83% of the Group's total purchases and purchases from the largest supplier accounted for approximately 5.33% of the Group's total purchases for year 2020.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or the Group's five largest customers.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 13 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

CHANGES IN DIRECTOR'S INFORMATION

On 9 March 2020, Mr. Xin Kexia, then an Executive Director, resigned as the Chief Executive Officer of the Company and Ms. Liu Simei, an Executive Director, was appointed as the Chief Executive Officer of the Company.

Mr. Xin Kexia, an Executive Director, resigned as Executive Director on 15 July 2020.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, all of whom are Independent Non-executive Directors, Mr. Zhao Jinyong, who possesses professional accounting qualifications, Mr. Chen Rui and Mr. Fung Tak Choi. Mr Zhao Jinyong is the Chairman of the Audit Committee. As of the date of this report, the composition of the Audit Committee was complied with the relevant requirements of the Listing Rules. The Audit Committee has adopted the terms of reference in line with the CG Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the internal audit function, financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, 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 of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2020 and the auditor's report thereon.

Report of the Directors

AUDITOR

PricewaterhouseCoopers ("**PwC**"), the former auditor, retired upon expiration of its term of office at the annual general meeting of the Company held on 22 March 2019. Crowe (HK) CPA Limited ("**Crowe**") was appointed as the new auditor of the Company to fill the vacancy arising from the retirement of PwC at the conclusion of the said annual general meeting of the Company.

Crowe has since also retired upon expiration of its term of office at the annual general meeting of the Company held on 29 June 2020. Elite Partners CPA Limited ("**Elite Partners**") was appointed as the new auditor of the Company to fill the vacancy arising from the retirement of Crowe at the conclusion of the said annual general meeting of the Company.

The financial statements for the year ended 31 December 2020 were audited by Elite Partners. A resolution for the re-appointment of Elite Partners as auditors of the Company is to be proposed at the forthcoming annual general meeting.

MATTERS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to the reporting period and up to the date of this Annual Report.

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 22 March 2021

Directors' and Senior Management's Profile

(1) MEMBERS OF THE BOARD OF THE COMPANY DURING THE YEAR AND UP TO THE DATE OF THIS ANNUAL REPORT ARE SET OUT BELOW:

Name	Position	Age	Term of office
Mr. Yuan Li	Chairman of the Board, Executive Director	39	26 August 2017-Now: Executive Director; 29 December 2017-Now: Chairman of the Board
Ms. Liu Simei	Chief Executive Officer, Executive Director, Chief Financial Officer	50	29 December 2017-27 April 2018, and 3 May 2018-Now: Executive Director; 15 November 2018-8 March 2020: Chief Financial Officer; 9 March 2020-Now: Chief Executive Officer
Mr. Xu Xinying	Executive Director, Vice-chairman	40	26 August 2017-29 December 2017: Non-executive Director; 29 December 2017-Now: Executive Director; 27 November 2019-Now: Vice-chairman
Mr. Sun Lejiu	Executive Director	42	9 March 2020-Now
Mr. Xin Kexia	Executive Director, Chief Executive Officer	51	15 June 2018-15 July 2020: Executive Director; 15 June 2018-9 March 2020: Chief Executive Officer
Ms. Xu Honghong	Non- Executive Director	35	8 March 2019-Now
Mr. Zhao Jinyong	Independent Non-Executive Director	49	29 December 2017-Now
Mr. Chen Rui	Independent Non-Executive Director	46	4 July 2018-Now
Mr. Fung Tak Choi	Independent Non-Executive Director	62	19 February 2019-Now

Directors' and Senior Management's Profile

(2) DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

(a) Executive Directors

Mr. Yuan Li (袁力先生), aged 39, was appointed to the Board on 26 August 2017 as an Executive Director of the Company, and was appointed as the Chairman of the Board of the Company and the member of the Remuneration Committee on 29 December 2017. Mr. Yuan is studying for an EMBA at the Cheung Kong Graduate School of Business, and has studied in institutions such as National School of Development at Peking University, Tsinghua PBC School of Finance and ICC-Yale. He has many years of experience in creative economics such as Internet, education, finance, creative economics such as and management. Mr. Yuan has been the chairman of the board of directors of Beijing Qi Dian New Technology Group Co., Ltd.* (北京奇點新科技集團有限公司) and Beijing Shengshang Education Technology Co., Ltd. (北京聖商教育科技股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 430277) since, November 2015 and September 2016 respectively. He has been the director of Guangdong Avi Low Carbon Technology Co., Ltd.* (廣東埃文低碳科技股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 871556) since August 2016. Mr. Yuan has first created the "Knowledge + Financial service provider" model since 2014, achieving high market efficiency. Mr. Yuan is currently a director of Noble Trade International Holdings Limited* (聖行國際集團有限公司) which holds approximately 15.57% of the total issued share capital of the Company. Mr. Yuan currently serves as the executive director of the China Chamber of International Commerce and a special member of the Beijing Liaison Committee of the China National Democratic Construction Association.

Ms. Liu Simei (劉思鎂女士), aged 50, was an Executive Director from 29 December 2017 to 27 April 2018 and re-appointed as an Executive Director on 3 May 2018. She has been appointed as chief executive officer of the Company with effect from 9 March 2020. She had also served as the chief financial officer of the Company from 15 November 2018 to 8 March 2020. Ms. Liu has more than 28 years of experience in financial and accounting matters. Prior to joining the Company in July 2017, Ms. Liu held senior position in the finance management department in Jiangsu Baosheng Group Company* (江蘇寶勝集團公司) (a company listed on the Shanghai Stock Exchange, stock code: 600973) from 1989 to 2001. From 2001 to June 2017, she worked as an auditor in Jiangsu Dahua Certified Public Accountants Co., Ltd.* (江蘇大華會計師事務所有限公司) and her last position was senior auditor. Ms. Liu obtained her first MBA degree from Tsinghua University in the PRC and her second MBA degree from Oxford University in the United Kingdom. She is currently a member of The Chinese Institute of Certified Public Accountants.

Mr. Xu Xinying (徐新穎先生), aged 40, was appointed as the Non-Executive Director of the Company on 26 August 2017, and was re-designated as an Executive Director of the Company on 29 December 2017. Mr. Xu was appointed as vice-chairman of the Company on 27 November 2019. Mr. Xu has many years of experience in logistics, retail and management, and has published two bestselling economics books in 2016 and 2017. He has been the director of Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司), Beijing Qi Dian New Technology Group Co., Ltd.* (北京奇點新科技集團有限公司) and Beijing Shengshang Education Technology Co., Ltd. (北京聖商教育科技股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 430277) since September 2014, November 2015 and September 2016, respectively. He graduated from Jilin University with the business administration undergraduate degree. He is qualified to engage in fund business in China.

Mr. Sun Lejiu (孫樂久先生), aged 42, was an Executive Director from 27 April 2018 to 3 May 2018 and was re-appointed as an Executive Director with effect from 9 March 2020. He served as regional general manager in HGTECH (華工科技股份有限公司) from November 2001 to October 2005, as vice president in Liaoning Xin Yida Group Corporation (遼寧鑫億達集團公司) from November 2005 to October 2012, and as vice president of FAB Jingcai Corporation Group (FAB精彩企業集團) from November 2012 to May 2014. He has been the vice president of Beijing Qidian New Technology Group Co., Ltd.* (北京奇點新科技集團有限公司) since May 2016 to date. He has been a director of Beijing Shengshang Education Technology Co., Ltd. (北京聖商教育科技股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 430277) since September 2017 and senior vice-president of Yangzhou Huiyin Technology Group Co., Ltd.* (揚州匯銀科技集團有限公司), a wholly owned subsidiary of the Company, since April 2018. Mr. Sun graduated from Shenyang Jianzhu University (formerly known as Shenyang Institute of Architecture and Civil Engineering) in July 2000 with a bachelor's degree in mechanical process and manufacturing.

(b) Non-Executive Directors

Ms. Xu Honghong (徐紅紅女士), aged 35, was appointed as the Non-executive Director of the Company since 8 March 2019. She has eight years of experience in the court from 2010 to 2018 and has accumulated extensive experience in handling business disputes and corporate governance. Since May 2018, Ms. Xu has joined Tianjin Bohai Commodity Exchange Corporation* ("Tianjin Bohai") (天津渤海商品交易所股份有限公司) as its director of legal affairs and supervision department and investment and asset management department. Tianjin Bohai is a substantial shareholders of the Company, which is interested in approximately 7.17% of the issued share capital of the Company. Ms. Xu obtained her Bachelor of Laws degree from Shandong University of Finance and Economics* (山東財經大學) in 2007 and her master of laws in economics degree from Shandong University* (山東大學) in 2010. Ms. Xu obtained the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in February 2009.

(c) Independent Non-Executive Directors

Mr. Zhao Jinyong (趙金勇先生), aged 49, was appointed as the Independent Non-Executive Director of the Company, the member of the Audit Committee and the Nomination Committee, and the chairman of the Remuneration Committee on 29 December 2017. He was appointed as the Chairman of the Audit Committee of the Company on 30 January 2019. Mr. Zhao has extensive experience in providing audit and consultancy services. Mr. Zhao obtained a bachelor degree in accountancy from Beijing Jiaotong University in 1995. After obtaining his bachelor degree in accountancy, Mr. Zhao taught at Beijing Jiaotong University until 1999. He was a senior auditor at Arthur Andersen and PricewaterhouseCoopers from 1999 to 2002, a consulting manager at BearingPoint Inc. from 2003 to 2007, and a consulting director at the Global Business Services Department of IBM from 2007 to 2011. From 2011 onwards, Mr. Zhao has been the head of the consulting services department of Kingdee Software, the dean of Post-EMBA Program at Peking University of the PRC and the executive secretary of the Business Promotion Association of Peking University of the PRC. He is currently the chief executive officer of Beijing Friendship Investment Management Co., Ltd.* (北京厚誼投資管理有限公司).

Mr. Chen Rui (陳睿先生), aged 46, was appointed as the Independent Non-Executive Director of the Company, member of Audit Committee and Remuneration Committee and a chairman of Nomination Committee on 4 July 2018. He is currently serving as the chairman of the board of Beijing Adfaith Consulting Co., Ltd.* (北京正略鈞策諮詢股份有限公司) and has approximately 16 years of experience in management and investment consulting. He is currently a visiting professor at the University of International Business and Economics (對外經濟貿易大學) and Central University of Finance and Economics (中央財經大學), respectively. Mr. Chen Rui graduated from the University of Leeds with a master degree in Business Administration.

Directors' and Senior Management's Profile

Mr. Fung Tak Choi (馮德才先生), aged 62, was appointed as the Independent Non-executive Director, member of Audit Committee and Nomination Committee on 19 February, 2019. Mr. Fung has significant experience in fraud risk management. From June to November 1999, Mr. Fung served as general manager of a multinational commercial security company in Hong Kong. From July 2000 to June 2003, Mr. Fung worked as the head of Security in a telecom company. Commencing form October 2004, Mr. Fung took the managing role of Hang Seng Bank for seven years. Since August 2013, Mr. Fung has been a practicing as solicitor in Kwok, Ng & Chan Solicitors & Notaries. Mr. Fung obtained a bachelor's degree in social science from the Chinese University of Hong Kong in 1983 and a master's degree in business administration from Oklahoma City University in Oklahoma City, the USA, in 1992. He obtained bachelor's degree in law from the Manchester Metropolitan University, the UK, in 2009 and Postgraduate Certificate in laws from the City University of Hong Kong in 2001 and a master's Degree of Law (Equity and Trust Law) from the University of London in 2012. He was qualified as an Information Systems Auditor in November 2001 and was admitted as a solicitor to the High Court of Hong Kong in August 2013.

(d) Senior Management

Ms. Huang Qiuling (黃秋玲女士), aged 61, is the director of audit of the Group. She has engaged in financial auditing for many years, serving as the deputy financial officer of Huajing Electronics, director of the audit department of Wuxi Puxin Certified Public Accountants Co., Ltd.* (無錫普信會計師事務所) and the auditing director of Suzhou Dehe Group* (德合集團). She can perform off-office auditing on different operation aspects of a company, provide consultation on important commercial activities and investment decisions, and review and evaluate the implementation effect of different decisions.

Mr. Jin Zhenlin (靳真林先生), aged 54, now is the Chairman of Anhui Sihai, a holding subsidiary of the Group. He has more than 30 years of working experience in the home appliances industry. He has fine management, global thinking ability and strong team charisma. He can effectively lead the team to achieve the set goals.

Mr. Li Yongqiang (李永強先生), aged 44, is CFO of Anhui Sihai now. He served as Director of Financial Management Center and Marketing Director in Jiangsu Hengzetang Health Food Chain Co., Ltd* (江蘇恒澤堂保健食品連鎖股份有限公司) and China Senyu Holding Group Co., Ltd* (中國森宇控股集團有限公司). He joined the Group in 2013. He has rich experience in financial control of group companies, proficient in the establishment and improvement of financial management system and process, and good at data analysis. He has rigor and meticulous thinking, with strong strategic decision-making, capital operation and risk assessment ability, with excellent management ability, organization and coordination ability and team spirit.

Ms. Ma Lirong (馬麗蓉女士), aged 49, is currently the Business Director of the Group. She joined the Group in October 2002 and served successively as store manager of the Group stores and head of the home appliances business division. She has more than 17 years of experience in the home appliances industry. With strong business ability and team cohesion, she has achieved the first in the home appliances sales of the Group stores' historical performance.

Mr. Fu Youli (付友利先生), aged 48, is deputy general manager and Sales Director of Anhui Sihai now. In September 1999, he joined Anhui Sihai, and in 2002, he served as head of the business of Anhui Sihai stores, and was responsible for all purchasing business of Anhui Sihai in 2003. He was responsible for the purchase and marketing business of Anhui Sihai in 2007. He served as deputy general manager and Marketing and Sales Director of Anhui Sihai from 2010 up to now. He has more than 20 years experience in the home appliances industry. He has strong charisma and execution, and can effectively lead the team to achieve the set goals.

Mr. Chen Guangzao (陳廣早先生), aged 48, currently served as Operations Director of Anhui Sihai. He used to be an expert member of Huainan Consumer Protection Committee, director of Huainan Home Appliance Industry Association and vice president of Huainan Bird Love Association. He has more than 20 years of working experience in home appliances industry. He has strong charisma and execution, and can effectively lead the team to achieve the set goals.

Independent Auditor's Report

TO THE SHAREHOLDERS OF QIDIAN INTERNATIONAL CO., LTD.
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Qidian International Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 127, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of the Group's ability to continue as a going concern	
For the year ended 31 December 2020, the Group incurred a loss of RMB84,952,000, and as of that date, the Group had net current liabilities of RMB140,340,000 and net liabilities of RMB305,467,000. The Group finances its operating activities using a combination of cash on hand, operating cash inflows, borrowings and notes payable.	Our audit procedures to assess the going concern assumption in the preparation of the consolidated financial statements included the following: • Walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the Group's ability to continue as a going concern, including the preparation of cash flow forecast;

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment of the Group's ability to continue as a going concern (Continued)	
Based on their review of the cash flow forecast of the Group, the Directors have concluded that the Group has adequate resources to remain in operation, and that the Directors intend to do so, for at least one year from the reporting date of the financial statements. We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the Group had incurred a loss of RMB84,952,000, and as of that date, net current liabilities and net liabilities which has increased the risk that the Group may not be able to continue to operate as a going concern and because the assessment of the Group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales and the ability of the group to renew or obtain new banking and other financing facilities upon expiry of the existing banking and other financing facilities.	• Evaluating the key assumptions in the cash flow forecast (including sales volumes, average selling prices, raw material costs and production volumes, committed capital expenditure and foreign exchange rates) with reference to historical production information, current performance and internal investment and production plans; • Comparing the available banking and other financing facilities and arrangements with underlying documentation; • Assessing the Group's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other financing facilities in prior years, and inspecting loan agreements and underlying documentation for bank loans borrowed and repaid after year end; • Assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions; • Considering the accuracy and reliability of cash flow forecasts by comparing those made by management in prior years with the current year's results; and • Evaluating the disclosures in the consolidated financial statements in respect of the going concern assessment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group's revenue for the year ended 31 December 2020 amounted to approximately RMB351,727,000. We identified revenue recognition from sales of merchandises as a key audit matter as revenue is quantitatively significant to the consolidated financial statements. We focused on the occurrence and cut-off of revenue recognition because it required significant time and resource to audit due to the large amount and volume of transactions.	Our procedures in relation to revenue recognition included the following: • Evaluating the design, implementation and operating effectiveness of key controls on the recognition of revenue; • Reviewing sales contracts entered into with customers on a sample basis to obtain an understanding of contract terms, in particular, those relevant to the timing and amount of revenue recognised with reference to the Group's revenue recognition accounting policies; • Performing analytical review on the monthly sales amounts with reference to the sales volume for current and comparative period; • Sample testing revenue by examining the relevant supporting documents, including goods delivery notes, daily sales reports and customers' payment records; • Sending confirmations to customers to confirm balance of trade receivables and sales transactions on a sample basis; • Performing company search of the corporate customers and checking customers' registered information on the official website on a sample basis to confirm the existence of the customers and evaluate the background of the customers and business relationships between customers and the Group; • Checking sale returns on a sample basis by agreeing the quantity, amount and period of sale returns with appropriate approval procedures; and • Checking sale transactions that took place shortly before and after the end of the reporting period on a sample basis by tracing to the corresponding delivery notes to ensure the revenue was recognised in the correct accounting periods.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	
At 31 December 2020, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were RMB124,448,000 and RMB65,692,000 respectively, represented approximately 45.85% of the total assets of the Group. They entirely relate to the cash generating units ("CGUs") of the retail of household appliance, import merchandise and provision of maintenance and installation services for household appliance in the People's Republic of China. Management determined the recoverable amounts of property, plant and equipment and right-of-use assets with assistance from the independent external professional valuer. Given that the CGUs were loss making for the current and prior years, management performed an impairment assessment of the related property, plant and equipment and right-of-use assets to determine their recoverable amounts based on the fair value less costs to disposal of the relevant property, plant and equipment and right-of-use assets. We identified the impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the balance to the consolidated financial statements combined with the significant judgements and estimations involved in the determination of the recoverable amounts.	Our audit procedures in relation to the management's impairment assessment of property, plant and equipment and right-of-use assets included the following: • Discussing and evaluating management's identification of indicators of potential impairment; • Obtaining and reviewing the valuation reports prepared by the external valuer engaged by the Group; • Assessing an independent external valuer's qualifications, experience and expertise and considered its objectivity and independence; • Assessing the valuation methodologies applied, appropriateness of key assumptions, inputs and estimates used in the valuation such as market comparables, and compared them to market information and our industry knowledge; and • Checking the arithmetical accuracy of the fair value less to costs to disposal calculations.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
At 31 December 2020, the carrying amount of the Group's inventories was RMB56,063,000, represented 32.58% of the total current assets of the Group. We identified the valuation of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements and the significant judgements and estimates involved in the determination of the net realisable value. The Group's principal activities are in retail of household appliance. The Group's inventories are subject to the significant risk of obsolescence accompanying with the rapid development of household appliance and changing trends in the market. Significant management judgement was accordingly involved when determining the extent of write-down of inventories to net realisable value. Management is required to estimate the respective future selling prices and selling costs to determine if any write- down should be made or reversal of write-down should be made.	Our audit procedures in relation to assessing the appropriateness of the valuations of the inventories included: • Obtaining an understanding of the Group's allowance policy on inventories and evaluating management's process in identifying slow-moving inventories and determining the allowance for inventories; • Assessing the reasonableness of the allowance for inventories with reference to the net realisable value of inventories by verifying, on a sample basis, to the historical and latest available sales information of similar inventories taking into account of the current market conditions and future sales plan; • Testing the accuracy of ageing analysis of inventories, on a sample basis, to the purchase invoices and goods received notes; and • Testing the subsequent sales of inventories, on a sample basis, to the sales invoices.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate Number P05898.

Elite Partners CPA Limited
Certified Public Accountants
10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong
22 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	6	351,727	470,731
Cost of sales and services		(328,370)	(432,017)
Gross profit		23,357	38,714
Other income	8	5,194	8,983
Other net gain	9	5,688	5,298
Impairment losses of trade and other receivables		(1,643)	(5,752)
Selling and marketing expenses		(50,030)	(77,382)
Administrative expenses		(46,051)	(64,648)
Finance income	10	544	368
Finance costs	10	(21,990)	(14,495)
Loss before tax		(84,931)	(108,914)
Income tax (expense)/credit	11	(21)	4
Loss for the year	12	(84,952)	(108,910)
Total comprehensive expense for the year		(84,952)	(108,910)
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		(83,214)	(108,837)
– Non-controlling interests		(1,738)	(73)
		(84,952)	(108,910)
Loss per share (RMB)			
– Basic and diluted	17	(0.552)	(0.858)

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current Assets			
Property, plant and equipment	18	**124,448**	137,650
Right-of-use assets	19	**65,692**	89,207
Investment properties	20	**50,665**	39,022
Intangible assets	21	**1,191**	1,340
Interest in joint venture	22	**—**	—
Interest in associates	23	**—**	—
Equity investment designated at fair value through other comprehensive income	24	**600**	600
		242,596	267,819
Current Assets			
Inventories	27	**56,063**	77,251
Trade and bills receivables	25	**10,698**	8,878
Prepayments, deposits and other receivables	26	**54,412**	74,794
Restricted bank deposits	28	**14,438**	23,242
Cash and cash equivalents	29	**36,457**	23,677
		172,068	207,842
Total Assets		**414,664**	475,661
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	33	**24,512**	16,766
Reserves	34	**(350,966)**	(319,289)
Equity attributable to owners of the Company		**(326,454)**	(302,523)
Non-controlling interests		**20,987**	22,725
Total Equity		**(305,467)**	(279,798)

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current Liabilities			
Borrowings	36	373,027	59,646
Lease liabilities	37	34,048	50,028
Provision for reinstatement costs	40	648	620
		407,723	110,294
Current Liabilities			
Trade and bills payables	30	127,198	131,125
Accruals and other payables	31	50,569	44,257
Contract liabilities	32	26,130	29,350
Borrowings	36	27,579	363,957
Lease liabilities	37	17,316	20,157
Current income tax liabilities		—	7
Other current liabilities	39	53,560	53,560
Provision for litigations	40	9,972	2,566
Provision for reinstatement costs	40	84	186
Total Current Liabilities		312,408	645,165
Net Current Liabilities		(140,340)	(437,323)
Total Liabilities		720,131	755,459
Net Liabilities		(305,467)	(279,798)
Total Equity and Liabilities		414,664	475,661

The consolidated financial statements on page 48 to 127 were approved and authorised for issue by the board of directors on 22 March 2021 and are signed on its behalf by:

YUAN LI	**LIU SIMEI**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 34)	Statutory reserves RMB'000 (Note 34)	Other reserves RMB'000 (Note 34)	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	16,766	1,803,618	28,007	55,395	(2,097,472)	(193,686)	22,787	(170,899)
Loss and total comprehensive expense for the year	–	–	–	–	(108,837)	(108,837)	(73)	(108,910)
Total comprehensive expense for the year	–	–	–	–	(108,837)	(108,837)	(73)	(108,910)
Deregistration of subsidiaries	–	–	–	–	–	–	11	11
At 31 December 2019	16,766	1,803,618	28,007	55,395	(2,206,309)	(302,523)	22,725	(279,798)
Loss and total comprehensive expense for the year	–	–	–	–	(83,214)	(83,214)	(1,738)	(84,952)
Total comprehensive expense for the year	–	–	–	–	(83,214)	(83,214)	(1,738)	(84,952)
Issue of shares	7,746	51,537	–	–	–	59,283	–	59,283
At 31 December 2020	24,512	1,855,155	28,007	55,395	(2,289,523)	(326,454)	20,987	(305,467)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(84,931)	(108,914)
Adjustments for:		
– Net foreign exchange changes	(7,058)	626
– Amortisation of right-of-use assets	24,481	22,779
– Depreciation of property, plant and equipment	4,194	6,272
– Depreciation of investment properties	1,013	692
– Amortisation of intangible assets	149	154
– Impairment loss on property, plant and equipment	—	259
– Change in fair value of financial liabilities at fair value through profit or loss	—	(18,683)
– (Gain)/losses on disposal of property, plant and equipment and right-of-use assets	(2,921)	16,262
– Finance income	(544)	(368)
– Accrued default penalty on advance from equity investor of an associate	—	605
– Interest expenses	27,881	32,231
– Reversal of write down of inventories	(2,377)	(1,505)
– Impairment losses on trade receivables	1,643	1,826
– (Reversal of)/impairment loss on other receivables	(2,805)	3,926
– (Reversal of)/impairment losses on prepayments to other suppliers	(546)	9,822
– Provision of litigations	7,406	2,566
– Write back of long outstanding accrued housing provident fund	—	(19,987)
– Write back of long outstanding trade and other payables	—	(3,377)
– Waiver of interest payment by Mr. Wu	—	(18,917)
– Gains on deregistration of subsidiaries	—	(105)
Operating cash flows before movements in working capital	(34,415)	(73,836)
– Decrease in inventories	23,565	81,784
– (Increase)/decrease in trade and bills receivables	(3,463)	13,285
– Decrease in prepayments, deposits and other receivables	23,733	4,697
– Decrease in restricted bank deposits	8,804	15,818
– Decrease in trade and bills payables	(3,927)	(27,149)
– Decrease in accruals and other payables	(16,203)	(2,384)
– Decrease in contract liabilities	(3,220)	(10,430)
Cash (used in)/generated from operations	(5,126)	1,785
Interest paid	(348)	(3,861)
Income taxes paid	(28)	(11)
NET CASH USED IN OPERATING ACTIVITIES	(5,502)	(2,087)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(807)	(375)
Purchase of intangible assets	—	(1,197)
Proceeds from disposal of property, plant and equipment and right-of-use assets	4,419	11,959
Settlement of financial liabilities at fair value through profit or loss	—	(12,000)
Interest received	544	368
Net cash outflows upon deregistration of subsidiaries	—	(47)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	4,156	(1,292)
FINANCING ACTIVITIES		
Advance from third parties and related parties and other borrowings	186,559	149,793
Proceed from loan from a shareholder	25,445	—
Proceed from bank borrowings	4,000	—
Proceed from issuance of ordinary shares	56,353	—
Capital elements of lease rental paid	(19,465)	—
Lease elements of lease rental paid	(4,735)	—
Repayment of bank borrowings	—	(38,000)
Repayments of advance from a third party	—	(25,410)
Repayments of other borrowings	(234,031)	(88,272)
Repayment of lease liabilities	—	(13,591)
Interest paid on lease liabilities	—	(6,243)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	14,126	(21,723)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,780	(25,102)
CASH AND CASH EQUIVALENTS AT BEGINING OF YEAR	23,677	48,075
Effect of foreign exchange rate changes	—	704
CASH AND CASH EQUIVALENTS AT END OF YEAR	36,457	23,677

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Qidian International Co., Ltd (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 shares of the Company were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 25 March 2010. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. On 3 January 2020, the Company changed its name from Huiyin Smart Community Co., Ltd. to Qidian International Co., Ltd.

The Company is an investment holding. The principal activities of the Company and its subsidiaries (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").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the ongoing availability of finance to the Group, including the financial support from the parent company of a substantial shareholder of the Company and loans from a lender, Mr. Wu Jipeng. Notwithstanding the above, the Directors considered that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

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

On 24 December 2020, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest of RMB134,082,000 as at 31 December 2020. Under the letter, the repayment date is not earlier than 30 June 2023. The original due dates for repayment of these outstanding loans and accrued interest are between March 2020 and February 2022, and was extended to 30 April 2022 on 24 December 2019.

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

Based on the Group's cash flow projections, which cover a period of twelve months from the date of the approval of these consolidated financial statements and taken into account the available financial resources, the Directors of the Company are of the opinion that, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. BASIS OF PRESENTATION *(Continued)*

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associate and joint venture *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue from contracts with customers

The Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract liability relating to the same contract are accounted for and presented on a net basis.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Sales of goods - bulk distribution

Revenue from the sales of goods (household appliances merchandise) by bulk distribution directly to the customers (other retailers and distributors) is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of goods through banks. Cash or bank acceptance notes collected from the customers before goods delivery is recognised as contract liabilities. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Sale with a right of return *(Continued)*

(b) Sales of goods - Retail

The Group operates a chain of retail stores for selling household appliances and import and general merchandises. Revenue from the sales of goods (household appliances merchandise) directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from retail sales are usually settled in cash or by credit or payment card. Cash or credit/payment settlement collected from the customers before goods delivery is recognised as contract liabilities.

(c) Sales of goods – Online sales

Revenue from the sales of goods (household appliances merchandise) directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from online sales are usually settled in cash or by credit or payment card. Cash or credit/payment settlement collected from the customers before goods delivery is recognised as contract liabilities.

(d) Rendering of services

The Group renders maintenance and installation services to end customers. Revenue from such services is recognised when services have been provided and the collectability of the related service receivables is reasonably assured.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19- related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

(a) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations (defined contribution plan)

A defined contribution plan is a pension plan under which the Group pays contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The Group has participated in defined contribution plans administered by the relevant authorities in the PRC for its employees. The Group is required to pay monthly contributions to these plans at certain percentage on relevant portion of the payroll of these employees to fund the benefits. The relevant authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees of the Group under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

(c) Share-based payments

The Group operates equity-settled Share Option Schemes, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When the share option are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in other receive will continue to be held in other reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Estimated useful lives	Residual value
Buildings	40 years or unexpired term of the leases, which is shorter	5%
Motor vehicles	5 years	5%
Electronic and office equipment	5 years	5%
Leasehold improvements	5 to 8 years or the remaining term of any non-renewable lease, whichever is shorter	—

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 40 years or unexpired term of the leases, if shorter, using the straight-line method.

Intangible assets (other than goodwill)

(a) Computer software

Acquired computer software licences have finite useful lives and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years on a straight line basis.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

(b) Non-compete agreements

Non-compete agreements arising from the acquisition of business in year 2010 and 2011 are initially recognised at fair value. Non-compete agreements have definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of non-compete agreements over the estimated useful lives of 5 and 6 years respectively.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the of cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories – merchandise held for resale and low value consumables

Inventories comprise merchandise purchased for resale and low value consumables, and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost of merchandise, representing its purchase cost, is determined by using the first-in-first-out basis for household appliance merchandise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories – merchandise held for resale and low value consumables *(Continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Provision and contingent liability

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, other receivables and other assets, deposits, amount paid on behalf of certain suppliers, staff advances, restricted bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognitionevent. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including other borrowings, bonds payables, trade and bills payables, other payables, other current liabilities and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accruals of rebates from suppliers and provision for supplier rebate receivables

Accruals of rebates from suppliers

The Group enters into agreements with various suppliers whereby the Group is entitled to inventory purchase rebates primarily upon achievement of specified volume purchasing levels. The Group assesses the entitled supplier rebates as earned, and adjusts them by taking into consideration of the estimated recoverability based on the historical rebates settlement record and the future purchase plan of the Group from these suppliers. The accruals of supplier rebates receivable will be made after such adjustments, and initially recorded as a deduction in inventories and subsequently reflected them as a reduction in cost of sales when the related merchandise is sold.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Accruals of rebates from suppliers and provision for supplier rebate receivables *(Continued)*

Provision for supplier rebate receivables

Slowdown in the markets in which the Group operates, or a significant change in the credit quality of suppliers may result in the rebates actually received varying from that accrued in the consolidated financial statements.

Impairment of supplier rebate receivables is made, if necessary, taking into consideration of changes in the economic conditions, the credit quality and financial position of the suppliers.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group will reassess the estimations by each reporting date.

Estimated impairment of non-financial assets other than goodwill

The Group follows HKAS 36 to determine whether non-financial assets have suffered any impairment. The recoverable amount of an asset is determined based on the higher of the asset's fair value less cost of disposal and value in use. The value in use calculations require the use of estimates. In case the recoverable amount is determined with reference to the fair value less costs of disposal, when the fair value less cost of disposal are less than expected or there are unfavourable events and changes in facts and circumstances which result in revision of fair value less costs of disposal, a material impairment may arise.

During the year ended 31 December 2020, the Group did not made impairment losses on property, plant and equipment (2019: impairment losses of RMB259,000) (Note 18).

In addition, the Group did not made impairment losses on prepayments to other suppliers during the year ended 31 December 2020 (2019: impairment losses of RMB9,822,000) (Note 26).

Estimate of fair value of investment properties for disclosure purpose

All the Group's investment properties are accounted for using the cost model. For disclosure purpose, the Group determines the fair value of its investment properties at each reporting date based on a valuation performed by the management of the Group. The valuation is based on a discounted cash flow projection which involves making estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Fair value measurement of financial instruments

As at 31 December 2020, certain of the Group's financial assets as described in note 46(a) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuer' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

Provision of expected credit loss ("ECL") for trade receivables and financial assets at amortised cost included in prepayments, deposits and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At the end of reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, financial assets at amortised cost included in deposits and other receivables with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 46(b)(ii).

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. REVENUE

(a) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Types of goods and services		
Sales of goods		
Traditional business – sales of household appliances	343,806	405,204
– sales of mobile phones and computers	2,795	56,348
New retail business – sales of import and general merchandise	—	—
	346,601	461,552
Rendering of services		
– Maintenance and installation services	5,126	9,179
Total revenue	351,727	470,731
Timing of revenue recognition		
A point in time	351,727	470,731

(b) Performance obligations for contracts with customers

Sales of goods

The performance obligation is satisfied upon delivery of goods and payment is made in cash, by credit cards, by means of electronic payments or settled indirectly through retail malls, except for corporate clients, where payment is due within 30 to 90 days from delivery.

Rendering of services

The performance obligation is satisfied when the maintenance and installation of household appliance is completed and payment is due immediately and made in cash, by credit cards and by means of electronic payments.

(c) Information about major customers

None of customers over 10% of the total revenue of the Group for the year ended 31 December 2020 and 2019.

7. OPERATING SEGMENTS

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.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

7. OPERATING SEGMENTS *(Continued)*

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

- Traditional business, including the results from sales of household appliance, mobile phones and computers.
- New retail business, including the results from sales of imported and general merchandise. The Group scaled down the new business during the year.
- All other segments including the results from rendering maintenance and installation services.

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

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2020

Segment results	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	346,601	—	5,126	—	351,727
Operating loss	(38,208)	—	(2,402)	(22,875)	(63,485)
Net finance costs					(21,446)
Share of loss of a joint venture					—
Share of loss of an associate					—
Loss before income tax					(84,931)
Income tax expense					(21)
Loss for the year					(84,952)
Other segment items are as follows:					
Depreciation charge	3,666	—	5	1,536	5,207
Amortisation charge	24,439	—	42	149	24,630
Reversal of write down of inventories	(2,377)	—	—	—	(2,377)
Impairment loss on trade receivables	1,518	—	125	—	1,643
Reversal of impairment loss on other receivables	(630)	—	(58)	(2,117)	(2,805)
Gain on disposal of property, plant and equipment and right-of-use assets	(2,921)	—	—	—	(2,921)
Reversal of impairment loss on prepayments to suppliers	(546)	—	—	—	(546)

7. OPERATING SEGMENTS *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2019

Segment results	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	461,552	—	9,179	—	470,731
Segment loss	(74,118)	(495)	(905)	(19,269)	(94,787)
Net finance costs					(14,127)
Share of loss of a joint venture					—
Share of loss of associates					—
Loss before tax					(108,914)
Income tax credit					4
Loss for the year					(108,910)
Other segment items are as follows:					
Capital expenditure	1,568	—	4	—	1,572
Addition of other non-current asset	—	—	—	—	—
Depreciation charge	6,943	12	9	—	6,964
Amortisation charge	22,670	—	255	8	22,933
Reversal of write down of inventories	(1,505)	—	—	—	(1,505)
Impairment loss on property, plant and equipment	240	19	—	—	259
Impairment loss on trade receivables	1,559	214	53	—	1,826
Impairment loss on other receivables	3,644	223	59	—	3,926
Loss on disposal of property, plant and equipment and right-of-use assets	16,256	6	—	—	16,262
Impairment loss/(reversal of impairment loss) on prepayments to other suppliers	9,866	(42)	(2)	—	9,822

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 31 December 2020

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

At 31 December 2019

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and mainly exclude restricted bank deposits and investment holding companies.

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

8. OTHER INCOME

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Rental income from investment properties	**4,680**	2,090
Government subsidies	**40**	38
Construction income	**474**	2,073
Rental income from subletting stores	—	2,248
Income from suppliers on promotion activities	—	2,534
	5,194	8,983

During the year ended 31 December 2019 and 2020, the government grants represent amounts received during the respective years related to the Group's operating activities and other activities and are not subject to any conditions nor intended to compensate future costs.

9. OTHER NET GAIN

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Gain/loss on disposal of property, plant and equipment and right-of-use assets	**3,788**	(16,262)
Change in fair value of financial liabilities at FVTPL	—	18,683
Write back of expired contract liabilities	**2,746**	—
Write back of long outstanding trade and other payables	—	3,377
Penalty charge for late repayment of advance from an equity investor of an associate	—	(605)
Others	**(846)**	105
	5,688	5,298

10. NET FINANCE COSTS

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Finance costs		
– Interest on discounting of bills receivable	**1,385**	311
– Interest on lease liabilities	**4,735**	6,243
– Interest on bank borrowings	**44**	1,026
– Interest on other borrowings/advances from Independent third parties	**16,411**	19,457
– Interest on loans from entities controlled by the Chairman	**2,501**	2,500
– Interest on shareholder loans	**3,181**	—
– Interest on loans from entities connected with a director of the joint venture	—	`898
– Interest on loans from a related company	**154**	853
– Interest on loans from a related party	**160**	179
– Interest on bonds payables	**477**	764
– (Gain)/losses foreign exchange cash and cash equivalents borrowings and bonds payable	**(7,058)**	1,181
	21,990	33,412
– Waiver of interest payment by Mr. Wu	—	(18,917)
	21,990	14,495
Finance income		
– Interest income on bank deposits	**(544)**	(368)
Net finance costs	**21,446**	14,127

11. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
PRC enterprise income tax		
Provision for the year	(36)	(69)
Over-provision in prior years	15	73
	(21)	4

Hong Kong profits tax

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

PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax credit for the year can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive expense as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Loss before tax	(84,931)	(108,914)
Tax at domestic income tax rates	(21,233)	(19,290)
Tax effects of expenses not deductible for tax purpose	(829)	(6,550)
Tax effects of unused tax losses not recognised	22,098	25,909
Over-provision in respect of prior years	(15)	(73)
Income tax (expenses)/credit for the year	21	(4)

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	**327,443**	428,903
Cost of services rendered	**927**	3,114
Cost of sales and services	**328,370**	432,017
Taxes and levies on main operations (note)	**606**	1,798
Employee benefit expenses (including directors' emoluments, excluding share option scheme expenses)	**37,099**	53,497
Amortisation of right-of-use assets	**24,481**	22,779
Depreciation of property, plant and equipment	**4,194**	6,272
Depreciation of investment properties	**1,013**	692
Amortisation of intangible assets	**149**	154
Reversal of write-down of inventories	**(2,377)**	(1,505)
Impairment loss on trade receivables	**1,643**	1,826
(Reversal of)/Impairment loss on other receivables (including VAT)	**(2,805)**	3,926
Write back of long outstanding accrued housing provident fund	**—**	(19,987)
Impairment loss on property, plant and equipments	**—**	259
(Reversal of)/Impairment loss on prepayments to other suppliers	**(546)**	9,822
Auditor's remuneration		
– Audit services	**1,735**	4,300
– Non-audit services	**182**	—
Lease payment not included in the measurement of lease liabilities	**241**	1,983
(Gain)/Loss on disposal of property, plant and equipment and right-of-use assets	**(2,921)**	16,262
Direct operating expenses from property that generated rental income	**66**	58
Penalty and default charge on rental payable to a former director	**—**	981

Note: Included in cost of sales

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 RMB'000	2019 RMB'000
Salaries and other allowances	35,139	47,084
Social security costs	1,469	5,454
Other benefits	491	959
	37,099	53,497

(a) The employees of the subsidiaries of the Group in the PRC participated in defined contribution retirement benefit plans organised by the relevant local governments. For the year ended 31 December 2020, these subsidiaries were required to make monthly defined contributions to these plans at rates ranging from 23.9% to 34.3% of their total salaries subject to certain ceilings (2019: 29.0% to 39.0%).

(b) The Group has no other obligations for the payment of retirement and other post-retirement benefits of its employees or retirees other than the defined contribution payments as disclosed above.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	For the year ended 31 December 2020					
	Salaries, allowances and benefit in kind RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Share Option Scheme expense RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors						
– Mr. Yuan Li (Chairman)	—	—	—	—	—	—
– Mr. Xu Xinying	—	—	—	—	—	—
– Ms. Liu Simei	300	—	—	—	—	300
– Mr. Sun Lejiu (note (a))	—	—	—	—	—	—
– Mr. Xin Kexia (note (b))	200	—	—	—	—	200
Independent non-executive directors						
– Mr. Zhao Jinyong	90	—	—	—	—	90
– Mr. Chen Rui	90	—	—	—	—	90
– Mr. Fung Tak Choi	90	—	—	—	—	90
Non-executive directors						
– Ms. Xu Honghong	—	—	—	—	—	—
	770	—	—	—	—	770

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

	For the year ended 31 December 2019					
	Salaries, allowances and benefit in kind RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Share Option Scheme expense RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors						
– Mr. Yuan Li (Chariman)	—	—	—	—	—	—
– Mr. Xu Xinying	—	—	—	—	—	—
– Ms. Liu Simei	300	—	—	—	—	300
– Mr. Xin Kexia	826	—	7	—	—	833
Independent non-executive Directors						
– Mr. Tam Chun Chung (note (c))	28	—	—	—	—	28
– Mr. Zhao Jinyong	88	—	—	—	—	88
– Mr. Chen Rui	88	—	—	—	—	88
– Mr. Fung Tak Choi (note (d))	88	—	—	—	—	88
Non-executive directors						
– Mr. Wang Cai (note (e))	—	—	—	—	—	—
– Mr. Xu Honghong (note (f))	—	—	—	—	—	—
	1,418	—	7	—	—	1,425

Notes:

(a) Mr. Sun Lejiu was appointed as executive director on 9 March 2020.

(b) Mr. Xin Kexia was resigned as executive director on 15 July 2020.

(c) Mr. Tam Chun Chung resigned as independent non-executive director on 30 January 2019.

(d) Mr. Fung Tak Choi was appointed as a independent non-executive director on 19 February 2019.

(e) Mr. Wang Cai resigned as a non-executive director on 31 January 2019.

(f) Ms. Xu Honghong was appointed as a non-executive director on 8 March 2019.

During the years ended 31 December 2020 and 2019, none of the directors or the chief executive (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or agreed to waive any remuneration.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

15. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included one directors (2019: two directors), details of whose remuneration are set out in note 14 above. Details of the remuneration for the year of the remaining four (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other allowances	**1,046**	1,161
Social security costs	**12**	182
	1,058	1,343

The number of the highest paid employees who are not Directors whose remuneration fell within the following bands is as follows:

	2020	2019
	No. of employees	No. of employees
Nil to HK$1,000,000	**4**	3

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the year ended 31 December 2020 (2019: Nill).

17. LOSS PER SHARE

Basic

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the purpose of basic loss per share	**(83,214)**	(108,837)
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousand)	**150,656**	126,898
Basic loss per share (RMB)	**(0.552)**	(0.858)

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

Diluted

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 do 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 result in a decrease in loss per share for both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electronics and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2019					
Cost	242,597	25,584	10,032	30,962	309,175
Accumulated depreciation	(57,101)	(14,404)	(7,695)	(10,900)	(90,100)
Accumulated impairment	(5,237)	—	—	(20,062)	(25,299)
Net carrying amount	180,259	11,180	2,337	—	193,776
At 1 January 2019	180,259	11,180	2,337	—	193,776
Additions	—	47	56	272	375
Disposals	(23,099)	(77)	(7)	—	(23,183)
Depreciation	(5,180)	(662)	(400)	(30)	(6,272)
Reclassification to investment properties (note 20)	(26,787)	—	—	—	(26,787)
Reclassification	8,307	(7,844)	(463)	—	—
Impairment	—	(17)	—	(242)	(259)
At 31 December 2019	133,500	2,627	1,523	—	137,650
At 31 December 2019					
Cost	184,427	24,998	9,992	21,529	240,946
Accumulated depreciation	(45,690)	(22,354)	(8,469)	(4,219)	(80,732)
Accumulated impairment	(5,237)	(17)	—	(17,310)	(22,564)
Net carrying amount	133,500	2,627	1,523	—	137,650
At 1 January 2020					
Cost	184,427	24,998	9,992	21,529	240,946
Accumulated depreciation	(45,690)	(22,354)	(8,469)	(4,219)	(80,732)
Accumulated impairment	(5,237)	(17)	—	(17,310)	(22,564)
Net carrying amount	133,500	2,627	1,523	—	137,650
At 1 January 2020	**133,500**	**2,627**	**1,523**	**—**	**137,650**
Additions	**—**	**807**	**—**	**—**	**807**
Disposals	**—**	**(1,045)**	**(453)**	**—**	**(1,498)**
Depreciation	**(3,514)**	**(463)**	**(217)**	**—**	**(4,194)**
Reclassification to investment properties (note 20)	**(8,317)**	**—**	**—**	**—**	**(8,317)**
At 31 December 2020	**121,669**	**1,926**	**853**	**—**	**124,448**
At 31 December 2020					
Cost	**173,093**	**22,761**	**4,836**	**21,529**	**222,219**
Accumulated depreciation	**(46,187)**	**(20,818)**	**(3,983)**	**(4,219)**	**(75,207)**
Accumulated impairment	**(5,237)**	**(17)**	**—**	**(17,310)**	**(22,564)**
Net carrying amount	**121,669**	**1,926**	**853**	**—**	**124,448**

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charges were included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Selling and marketing expenses	**3,053**	4,304
Administrative expenses	**1,141**	1,968
	4,194	6,272

At 31 December 2020, the buildings with an aggregate carrying amount of RMB98,107,000 (2019: RMB107,652,000) were pledged to Party A for other borrowings granted to the Group (note 36(b)(i)) and RMB23,568,000 (2019: RMB25,848,000) were pledged to Jiangsu Ruihua Investment Holding Group CO., Ltd. ("Ruihua") as disclosed in note 40. The buildings of RMB23,568,000 (2019: RMB25,848,000) have also been frozen by a PRC court for a legal proceedings as disclosed in note 40.

19. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leasehold properties RMB'000	Total RMB'000
At 31 December 2020			
Carrying amount	**12,772**	**52,920**	**65,692**
At 31 December 2019			
Carrying amount	18,433	70,774	89,207
For the year ended 31 December 2020			
Addition	**—**	**23,938**	**23,938**
Disposals	**—**	**(18,633)**	**(18,633)**
Reclassified to investment properties (note 20)	**(4,339)**	**—**	**(4,339)**
Amortisation	**(1,322)**	**(23,159)**	**(24,481)**
	(5,661)	**(17,854)**	**(23,515)**
For the year ended 31 December 2019			
Disposals	(5,038)	—	(5,038)
Reclassified to investment properties (note 20)	(7,861)	—	(7,861)
Amortisation	(825)	(21,954)	(22,779)
	(13,724)	(21,954)	(35,678)

19. RIGHT-OF-USE ASSETS *(Continued)*

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Expense relating to short-term leases	**241**	1,983
Total cash outflow for leases	**24,200**	21,817
Additions to right-of-use assets	**23,938**	—

The Group leases land in the PRC for own use. The leases are held between 27 to 40 years. At 31 December 2020, the leasehold land of RMB11,751,000 (2019: RMB15,252,000) has been pledged as collaterial to Party A for other borrowings granted to the Group (note 36(b)(i))) and RMB2,344,000 (2019: RMB3,181,000) has been pledge to Ruihua as disclosed in note 40. The leasehold land of RMB2,344,000 (2019: RMB3,181,000) has also been frozen by a PRC court for a legal proceedings as disclosed in note 40.

For both years, the Group leases retail shops, office and warehous for its operations. Lease contracts are entered into for fixed term of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

20. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
At 1 January	**39,022**	5,066
Reclassified from property, plant and equipment (note 18)	**8,317**	26,787
Reclassified from right-of-use assets (note 19)	**4,339**	7,861
Depreciation	**(1,013)**	(692)
At 31 December	**50,665**	39,022
Cost	**54,450**	41,794
Accumulated depreciation	**(3,785)**	(2,772)
Net carrying amount	**50,665**	39,022

Investment properties are located in Mainland China and are held on medium term leases.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

20. INVESTMENT PROPERTIES *(Continued)*

Depreciation of the investment property

Depreciation of investment properties has been charged to profit or loss and included in administrative expenses.

The fair value of the Group's investment properties as at 31 December 2020 was approximately RMB52,870,000 (2019: RMB46,563,000). The fair value has been arrived at based on a valuation carried out by an independent valuer not connected with the Group.

The fair value was determine based on income approach where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties in Mainland China and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The fair value measurement falls under level 3 of the fair value hierarchy. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Pledge of the investment property

As at 31 December 2020, investment properties of RMB40,628,000 (2019: RMB31,236,000) have been pledged as collateral to Party A for the other borrowings granted to the Group (note 36(b)(i)) and RMB10,030,000 (2019: RMB7,786,000) have been pledged to Ruihua as disclosed in note 40. The investment properties of RMB10,030,000 (2019: RMB7,786,000) have also been frozen by a PRC court for a legal proceedings as disclosed in note 40.

21. INTANGIBLE ASSETS

	Non-compete agreements RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2019			
Cost	4,970	8,407	13,377
Accumulated amortisation	(4,970)	(8,110)	(13,080)
Net carrying amount	—	297	297
At 1 January 2019	—	297	297
Additions	—	1,197	1,197
Amortisation	—	(154)	(154)
At 31 December 2019	—	1,340	1,340
At 31 December 2019			
Cost	4,970	9,604	14,574
Accumulated amortisation	(4,970)	(8,264)	(13,234)
Net carrying amount	—	1,340	1,340
At 1 January 2020			
Cost	4,970	9,604	14,574
Accumulated amortization	(4,970)	(8,264)	(13,234)
Net carrying amount	—	1,340	1,340
At 1 January 2020	—	1,340	1,340
Amortisation	—	(149)	(149)
At 31 December 2020	—	1,191	1,191
At 31 December 2020			
Cost	—	9,604	9,604
Accumulated amortisation	—	(8,413)	(8,413)
Net carrying amount	—	1,191	1,191

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

22. INTEREST IN JOINT VENTURE

	2020 RMB'000	2019 RMB'000
At 1 January	—	—
Capital contribution or loan	—	—
Share of loss	—	—
At 31 December	—	—

The Group has the following joint venture as at 31 December 2020 and 2019:

Name of unlisted entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
Jiangsu Huisheng Supply Chain Management Co., Ltd.	Nanjing Jiangsu, PRC	55	Equity method

On 22 January 2017, Yangzhou Huiyin Technology Group Co., Ltd (揚州匯銀科技集團有限公司) ("Yangzhou Huiyin"), a wholly owned subsidiary of the Group, together kl. Ltd. (金甲資產管理有限公司) ("Jinjia"), a limited liability company established in the PRC set up Jiangsu Huisheng Supply Chain Management Co., Ltd. (江蘇匯晟供應鏈管理有限公司) ("Huisheng") in the PRC.

Huisheng has a registered capital of RMB50,000,000, of which Yangzhou Huiyin has fully contributed its proportional share of capital of RMB27,500,000 in cash during the year ended 31 December 2017. The principal activities of Huisheng is supply chain management services.

During the period from 22 January 2017 to 31 December 2017, Huisheng recorded a net loss of approximately RMB60,738,000 and the Group recognised a share of net loss of Huisheng of RMB27,500,000 which reduced its investment to zero.

During the year ended 31 December 2019 and 2020, the Group's share of losses exceeds its interest in joint venture, the Group's interest was reduced to nil and recognition of further losses is discontinued.

Management of the Group considered that there were no material contingent liabilities relating to the Group's interest in Huisheng which should be recognised as at 31 December 2019 and 2020.

23. INTEREST IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
At 1 January	—	—
Share of loss	—	—
Impairment loss	—	—
At 31 December	—	—

23. INTEREST IN ASSOCIATES *(Continued)*

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
	Name of Company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
(a)	Taixing Huazhang Shengshi Huazhang Electronics Sales Co., Ltd. 泰興市盛世華章電器銷售有限公司	The PRC	RMB5,000,000	15%	—	15%	Inactive
(b)	Nanjing Ruihu Electronic Commercial Technology Co., Ltd. 南京瑞虎電子商務科技有限公司	The PRC	RMB51,000,000	(note)	—	(note)	Inactive

Note: The Group has not contributed any capital into Ruihu, but two out of five directors are appointed by the Group.

(a) Investment in Taixing Huazhang Shengshi Huazhang Electronics Sales. Co., Ltd.

On 29 September 2014, Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd (揚州盛世欣興電器銷售有限公司) ("Yangzhou Shengshi"), an indirectly owned subsidiary of the Company, together with 3 third- party individuals set up Taixing Huazhang Shengshi Huazhang Electronics Sales Co., Ltd. (泰興市盛世華章電器銷售有限公司)("Huazhang") in Taixing, Jiangsu Province, the PRC.

Huazhang has a registered capital of RMB5,000,000 of which Yangzhou Shengshi contributed RMB750,000 in cash, and the principal activities of Huazhang was trading of household appliances. The Group recognised its share of Huazhang's net loss for the year ended 31 December 2017. As Huazhang's business operations had become inactive since September 2017, management of the Group assessed that the likelihood for the recoverability of the Group's investment is remote and therefore the Group further recognised an impairment loss of RMB812,000 to fully provide for its investment exposure in Huazhang.

During the year ended 31 December 2020 and 2019, Huazhang remained inactive and no loss or profit generated from its operations. There are no material contingent liabilities relating to the Group's interest in Huazhang which should be recognised as at 31 December 2019 and 2020.

(b) Investment in Nanjing Ruihu Electronic Commercial Technology Co., Ltd.

On 5 December 2016, Yangzhou Huiyin together with an equity investor, Ruihua set up Nanjing Ruihu Electronic Commercial Technology Co., Ltd. (南京瑞虎電子商務科技有限公司) ("Ruihu") in Nanjing, Jiangsu Province, the PRC.

Ruihu has registered capital of RMB200,000,000 of which Yangzhou Huiyin agreed to subscribe for 49% of the equity interest. The Group has not contributed any capital into Ruihu as at 31 December 2020. The Group did not share Ruihu's result for the year. The details of capital commitment in relation to Ruihu are set out in note 44.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

24. EQUITY INVESTMENT DESIGNATED AT FVTOCI

	2020 RMB'000	2019 RMB'000
Unlisted equity investment:		
– 南京雲澤網絡科技有限公司	600	600
	600	600

The above unlisted equity investment represents the Group's 12% of equity interest in a private entity established in the PRC. The Directors have elected to designated these investments in equity investment as at FVTOCI as they believe that the investment to be strategic in nature.

The Group has determined the fair value of the equity investment designated at fair value through other comprehensive income by discounted cash flow approach of the income method.

No dividend was received from the equity investment during the year (2019: RMB Nil).

25. TRADE AND BILLS RECEIVABLES

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

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

The following is an ageing analysis of trade receivables, net of allowance for credit losses presented based on the invoice date.

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

All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$23,533,000 (2019: HK$22,965,000) which are past due as at the reporting date. None of them is considered as in default.

25. 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 reporting period.

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Prepayments to suppliers	(a)	21,283	42,940
Deposits		810	714
Value added tax recoverable		23,478	26,562
Other receivables from third parties, net of provision	(b)		
– Amount paid on behalf of certain suppliers		59	102
– Amount due from a director	(c)	200	—
– Staff advances		1,078	685
– Others		7,504	3,791
		54,412	74,794

Notes:

(a) As at 31 December 2020, the accumulated impairment losses on rebate receivables from suppliers was RMB707,562,000 (2019: RMB707,562,000).

(b) During the year ended 31 December 2020, a reversal of impairment losses of RMB2,805,000 (2019: impairment losses of RMB3,926,000) on other receivables were recognised, taking into account of the ECL on these other receivables. At 31 December 2020, the accumulated impairment losses on other receivables amounted to RMB8,112,000 (2019: RMB10,917,000).

(c) The amount due from a director, Mr. Sun Lejin, is unsecured, interest free and repayable on demand.

Reversal of impairment/impairment losses on prepayments to other suppliers and other receivables were included in the line item of "administrative expenses".

27. INVENTORIES

	2020 RMB'000	2019 RMB'000
Merchandise held for resale	58,027	81,592
Write-down of inventories for obsolescence	(1,964)	(4,341)
	56,063	77,251

27. INVENTORIES *(Continued)*

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Included in cost of sales		
– Carrying amount of merchandise sold	329,820	431,723
– Reversal of write-down of inventories	(2,377)	(1,505)
	327,443	430,218

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realizable value of certain merchandise as a result of a change in consumer preferences.

28. RESTRICTED BANK DEPOSITS

At 31 December 2020, bank deposits of RMB6,217,000 (2019: RMB7,141,000) were frozen by courts for certain legal proceedings against the Group. The details of the legal proceedings were disclosed in note 40. The remaining amount had been pledged as collateral for the Group's bills payable.

29. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash on hand		
– denominated in RMB	21	121
Cash at bank		
– denominated in RMB	36,412	22,664
– denominated in HK$	21	617
– denominated in US$	3	275
	36,436	23,556
Total cash and cash equivalent	36,457	23,677

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with credit worthy bank with no recent history of default.

30. TRADE AND BILLS PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade payables	(a)	**112,770**	115,024
Bills payables	(b)	**14,428**	16,101
		127,198	131,125

Notes:

(a) At 31 December 2020, the trade payables included outstanding balances of RMB58,911,000 (2019: RMB58,911,000) arising from purchases of goods from Yangzhou Suohai Electronics Co. Limited ("Suohai") and Jiangsu Zhipu Electronics Appliance Co. Ltd. ("Zhipu") (note 41 (c)) made in previous years and trade balances of RMB23,481,000 (2019: RMB23,481,000) due to Ruihu, an associate of the Group.

(b) At 31 December 2020, the bills payable were secured by bank deposits.

Most of the principal suppliers require prepayment for goods purchase. The credit period granted by the Group's principal suppliers ranges from 15 to 90 days. The following is an ageing analysis of trade payables based on the invoice date.

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

31. ACCRUALS AND OTHER PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Salary and welfare payables	(a)	**3,243**	10,071
Accrued expenses		**5,363**	2,150
Deposits		**3,285**	3,006
VAT and other tax payables		**1,630**	1,242
Guarantee deposit for subscription of ordinary shares of the Company	(b)	**—**	2,930
Amount due to a shareholder	(c)	**5,057**	5,230
Rental payable to a former director	(d)	**2,422**	3,853
Others		**3,966**	13,698
Amount due to Chongqing Saint	(e)	**158**	2,077
Loan from a shareholder	(f)	**25,445**	—
		50,569	44,257

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

31. ACCRUALS AND OTHER PAYABLES *(Continued)*

Notes:

(a) During the year ended 31 December 2019, the Directors, after the consultations with the PRC lawyer, considered that the accrued housing provident fund for previous years was no longer payable. Therefore, the accrued housing provident fund of RMB19,987,000 was written back to the profit or loss.

(b) At 31 December 2019, the guarantee deposit for subscription of ordinary shares of the Company represented the deposit received from a shareholder for subscription of the ordinary shares of the Company.

(c) At 31 December 2020, the amount due to a shareholder represented an advance made from a shareholder, China Ruike Investment & Development Co. Ltd. ("China Ruike") in 2017, China Ruike is a company connected with the former director, Mr. Cao Kuanping. The amount is unsecured, interest free and repayable on demand.

(d) The amount represents the outstanding rental charges of RMB2,872,000 together with penalty and default charge of RMB981,000, totaling RMB3,853,000 payable to a former director, Mr. Cao Kuanping. In 2019, Mr. Cao kuanping commenced legal proceedings against the Group for repayment of outstanding rentals. On 1 December 2020, the court has ruled that the Group is liable to the amount of RMB2,422,000, and the case is completed. The details of which are set out in note 40(a)(iii).

(e) The amount due to Chongqing Saint is unsecured and repayable on demand. Chongqing Saint is controlled by the Chairman.

(f) The amount represents a loan of HK$30,000,000 granted by a shareholder, Noble Trade International Holdings Limited, at 5% per annum for a period of three years, and subject to a clause to repay on demand.

32. CONTRACT LIABILITIES

	2020	2019
	RMB'000	RMB'000
Traditional business		
– Receipts in advance of delivery of products	**25,629**	25,976
– Prepaid card	**501**	3,374
	26,130	29,350

Receipts in advance of delivery of products

Advances from customers include the non-refundable payment received from customers, for which the Group has obligation to transfer goods or services to customers.

Prepaid card

The prepaid card is a kind of cash advance from customers for redeeming of goods. The prepaid card has no expiry date and the prepaid card holder can only redeem the money stored in the prepaid card by purchase of goods.

	2020	2019
	RMB'000	RMB'000
Movements in contract liabilities		
At 1 January	**29,350**	39,780
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	**(21,277)**	(26,603)
Increase in contract liabilities as a result of receiving consideration in advance from the customers	**17,973**	16,123
Increase in contract liabilities as a result of receiving consideration in advance from the customers by prepaid card	**84**	50
At 31 December	**26,130**	29,350

33. SHARE CAPITAL OF THE COMPANY

	Note	No. of Shares	Share capital US$	Share capital RMB'000
Authroised:				
As at 1 January 2019, 31 December 2019 and 1 January 2020				
Ordinary shares of US$0.001 each		4,000,000,000	4,000,000	24,147
Share consolidation	(a)	(3,800,000,000)	—	—
As at 31 December 2020				
Ordinary shares of US$0.02each		200,000,000	4,000,000	24,147
Issued and fully paid				
As at 1 January 2019, 31 December 2019 and 1 January 2020				
Ordinary shares of US$0.001 each		2,537,960,017	2,537,960	16,766
Share consolidation	(a)	(2,411,062,017)	—	—
Ordinary shares of US$0.02each		126,898,000	2,537,960	16,766
Issue of shares	(b)	55,835,120	1,116,702	7,746
As at 31 December 2020		182,733,120	3,654,662	24,512

(a) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 3 January 2020, every twenty issued and unissued shares of the Company of US$0.001 each were consolidated into one consolidated share of the Company of US$0.02 each with effective on 7 January 2020.

(b) On 18 May 2020, the Company entered into a subscription agreement with two subscribers whereby the Company conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for, an aggregate of 25,379,600 subscription shares at a price of HK$1.09 per subscription share. The issue and subscription of shares was completed on 28 May 2020. And on 7 September 2020, the Company entered into another subscription agreement with two subscribers whereby the Company conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for, an aggregate of 30,455,520 subscription shares at a price of HK$1.29 per subscription share. The issue and subscription of shares was completed on 16 September 2020 and 22 September 2020.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

34. RESERVES

	Note	Share premium RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Other reserves RMB'000 (Note (c))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019		1,803,618	28,007	55,395	(2,097,472)	(210,452)
Loss and total comprehensive expense for the year		—	—	—	(108,837)	(108,837)
At 31 December 2019		1,803,618	28,007	55,395	(2,206,309)	(319,289)
At 1 January 2020		**1,803,618**	**28,007**	**55,395**	**(2,206,309)**	**(319,289)**
Loss and total comprehensive expense for the year		—	—	—	**(83,214)**	**(83,214)**
Issue of shares	33(b)	**51,537**	—	—	—	**51,537**
At 31 December 2020		**1,855,155**	**28,007**	**55,395**	**(2,289,523)**	**(350,966)**

Notes:

(a) Share premium

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(b) Statutory reserves

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purpose in accordance with the regulations in the PRC. The allocation is based on certain percentages of these companies' profit for the year, as reported in their statutory financial statements.

(c) Other reserves

Other reserves mainly represents reserve arising from issuance of share option schemes in prior years, lapse of share options expired and the difference between the amounts of net consideration/contribution from non-controlling interests and the carrying value of non-controlling interests acquired or disposed of.

35. DEFERRED TAX ASSETS/LIABILITIES

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB1,249,545,000 (2019: RMB1,229,039,000) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. Tax losses expire from 2021 to 2025.

At 31 December 2020, the Group has deductible temporary differences mainly in respect of impairment of certain assets in aggregate of approximately RMB452,853,000 (2019: RMB454,486,000). No deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group has no significant unrecognised deferred tax liabilities at 31 December 2020 and 2019.

36. BORROWINGS

	Note	2020 RMB'000	2019 RMB'000
Non-current			
Bonds payables	(a)	8,532	8,027
Other borrowings	(b)	364,495	51,619
		373,027	59,646
Current			
Bank borrowings	(c)	4,000	—
Other borrowings	(b)	23,579	363,957
		27,579	363,957
		400,606	423,603

(a) Bonds payables

In 2015, the Company placed 2 bonds of HK$5,000,000 each for a total nominal value of HK$10,000,000 to certain third party individuals. These bonds are unsecured, interest bearing at 6% per annum and with a term of 8 years.

The bonds of HK$5,000,000 are due for repayment on 21 April 2023 and the remaining bonds of HK$5,000,000 are due for repayment on 27 May 2023.

(b) Other borrowings

		2020			2019		
	Note	Principal RMB'000	Accrued interest RMB'000	Total RMB'000	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Independent third parties	(i)	114,933	24,179	139,112	312,599	7,768	320,367
Entities controlled by the Chairman	(ii)	50,000	6,255	56,255	50,000	3,755	53,755
A shareholder	(iii)	189,440	2,999	192,439	—	—	—
A related party	(iv)	—	268	268	11,750	179	11,929
A related company	(v)	—	—	—	28,672	853	29,525
		354,373	33,701	388,074	403,021	12,555	415,576
Secured		110,554	23,528	134,082	307,570	7,354	314,924
Unsecured		243,819	10,173	253,992	95,451	5,201	100,652
		354,373	33,701	388,074	403,021	12,555	415,576

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

36. BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

At 31 December 2020, the other borrowing were repayable as follows:

	2020			2019		
	Principal RMB'000	Accrued interest RMB'000	Total RMB'000	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Within 1 year or on demand	15,829	7,750	23,579	351,992	11,965	363,957
After 1 year but within 2 years	—	—	—	48,029	590	48,619
After 2 years but within 5 years	338,544	25,951	364,495	3,000	—	3,000
	354,373	33,701	388,074	403,021	12,555	415,576

Notes:

(i) Independent third parties

	2020 RMB'000	2019 RMB'000
Party A	134,082	314,924
Party B	3,620	4,084
Party C	1,328	1,277
Party D	82	82
	139,112	320,367

Party A

Party A is Mr. Wu Jipeng who is a friend of the chairman. The Directors after the consultation of a legal advisor, considered that Party A is an independent third party of the Group.

The amount due to Party A as at 31 December 2018 comprised of outstanding loans of RMB152,000,000 and accrued interest of RMB4,305,000. The loans were denominated in RMB, carried interest at fixed rates ranging from 5% to 6.5% per annum and repayable together with interest payable in 2020, being 2 years from the date of each relevant borrowing. During the year ended 31 December 2019, Party A entered into a number of agreements with other independent parties. Pursuant to these agreements, a total amount of outstanding loans and accrued interest of RMB189,322,000 were transferred to Party A from these parties.

In December 2019, Party A agreed to waive the interest payment for 2019 totalling RMB18,917,000, therefore, the waiver of the interest expenses was net of the finance costs as disclosed in note 10,

At 31 December 2019, the amount due to Party A comprised of outstanding loans of RMB307,570,000 and accrued interest of RMB7,354,000. The outstanding balance of RMB314,924,000 were secured by certain assets held by the Group as disclosed in note 50. The loans bearing interests at fixed rates ranging from 5% to 6.5% per annum.

During the year ended 31 December 2020, the subsidiary made loan repayments of RMB197,016,000. At 31 December 2020, the amount due to Party A comprised of outstanding loans of RMB110,554,000 and accrued interest of RMB23,528,000. The outstanding balance of RMB134,082,000 were secured by certain assets held by the Group as disclosed in note 50. The loans bearing interests at fixed rates ranging from 5% to 6.5% per annum. On 24 December 2020, Party A wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest before 30 June 2023.

Party B

On 15 August, 2019 Party B entered into a loan agreement with a subsidiary of the Group pursuant to which Party B granted a loan of RMB4,000,000 to the Group for a period of eighteen months. During the year ended 31 December 2020, the subsidiary made loan repayments of RMB650,000 to Party B. The loan is unsecured and bearing interest at 5.5% per annum.

Party C

On 16 January 2019, Party C entered into a loan agreement with a subsidiary of the Group pursuant to which Party C granted a loan of RMB22,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. During the year ended 31 December 2019, the subsidiary made loan repayments of RMB20,971,000 to Party C. At 31 December 2020, the remaining outstanding loan and accrued interest were amounted to RMB1,328,000 (2019: RMB1,227,000).

Party D

On 16 January 2019, Party D entered into a loan agreement with a subsidiary of the Group pursuant to which Party D granted a loan of RMB20,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. During the year ended 31 December 2019, the subsidiary made full repayment of the loan to Party D. At 31 December 2020, the balance represented outstanding accrued interest.

36. BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

Notes: (Continued)

(ii) Entities controlled by the chairman

	2020 RMB'000	2019 RMB'000
廣東聖融金服控股有限公司("廣東聖融")	50,691	48,441
北京奇點新科技集團有限公司(formerly known as 聖行(北京)控股集團有限公司) ("北京奇點")	5,564	5,314
	56,255	53,755

廣東聖融 and 北京奇點 are controlled by Mr. Yuan Li, the Chairman of the Company.

On 23 May 2018, 廣東聖融 entered into a loan agreement with a subsidiary of the Group pursuant to which 廣東聖融 granted a loan of RMB15,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum.

On 14 June 2018, 廣東聖融 entered into another loan agreement with the subsidiary pursuant to which 廣東聖融 granted another loan of RMB30,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum.

On 12 October 2018, 北京奇點 entered into a loan agreement with a subsidiary of the Group pursuant to which 北京奇點 granted a loan of RMB5,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum.

On 16 April 2020, 廣東聖融 and 北京奇點 agreed to extend the outstanding loans and interests which are due for repayment between May 2020 and October 2020 for a further period of two years.

(iii) A shareholder

	2020 RMB'000	2019 RMB'000
Chongqing Saint	192,439	—

During the year ended 31 December 2020, Chongqing Saint entered into a loan agreement with subsidiaries of the Group pursuant to which Chongqing Saint granted a number loans with a total amount of RMB214,440,000 to the Group for a period ranging from 1 to 3 years. The loans are unsecured and bearing interest ranging from 5% to 6.5% per annum. During the year ended 31 December 2020, a subsidiary made loan repayments of RMB25,000,000. At 31 December 2020, the remaining outstanding loan and accrued interest were amounted to RMB192,439,000.

(iv) A related party

	2020 RMB'000	2019 RMB'000
Mr. Yuan Yang	268	11,929

Mr. Yuan Yang is a brother of the Chairman.

On 9 August 2019, Mr. Yuan Yang entered into a loan agreement with a subsidiary of the Group pursuant to which Mr. Yuan Yang granted a loan of RMB8,000,000 to the Group for a period of eighteen months. The loan is unsecured and being interest at 5.5% per annum.

On 26 December 2019, Mr. Yuan Yang entered into another loan agreement with the subsidiary pursuant to which Mr. Yuan Yang granted a loan of RMB3,750,000 to the Group for a period of 3 months. The loan is unsecured and bearing interest at 6.5% per annum.

In March 2020, the subsidiary has made repayment of the principal of these loans of RMB11,750,000. At 31 December 2020, the balance represented outstanding accrued interest.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

36. BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

Notes: (Continued)

(v) A related company

	2020 RMB'000	2019 RMB'000
HK Saint Next Investment Limited ("HK Saint")	—	29,525

HK Saint is controlled by Mr. Yuan Yang

On 4 June 2019, HK Saint entered into a loan agreement with a subsidiary of the Group pursuant to which HK Saint granted a loan of US$6,170,000 (equivalent to RMB43,043,000) to the Group for a period of one year. The loan is unsecured and bearing interest at 5% per annum. During the year ended 31 December 2019, the subsidiary made a loan repayment of US$2,060,000. During the year ended 31 December 2020, all the outstanding principal and accrued interest had been fully repaid.

(c) Bank borrowings

During the year ended 31 December 2020, a subsidiary of the Group obtained a new loan of RMB4,000,000, repayable within one year. The borrowing is unsecured, carried variable interest rate at RMB Loan Prime Rate. The effective interest rate on the bank borrowings is 3.65% per annum for the year ended 2020.

37. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	2020	2019
	Present value of the minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000
Within 1 year	17,316	20,157
After 1 year but within 2 years	12,695	18,312
After 2 years but within 5 years	19,578	25,078
More than 5 years	1,775	6,638
	51,364	70,185
Less: Amount due for settlement with 12 months show under current liabilities	(17,316)	(20,157)
Amount due for settlement show under non-current liabilities	34,048	50,028

The weighted average incremental borrowing rates applied to lease liabilities range from 7.09% to 10.11% (2019: from 7.09% to 9.48%).

38. DERIVATIVE FINANCIAL INSTRUMENTS

In late December 2016, the Group entered into a supplementary agreement with an equity investor, Ruihua, in respect of an equity investment in Nanjing Ruihu Electronic Commercial Technology Co., Ltd. ("Ruihu"). The former Chairman, Mr. Cao Kuanping was also a party to the supplementary agreement. Pursuant to the supplementary agreement, Ruihua is given a right to request the Group to purchase its 51% equity interest in Ruihu in any of the years from 2017 to 2020 at a purchase price equivalent to the investment cost made by Ruihua plus 8% per annum should Ruihu could not meet the following circumstances in any of these years from 2017 to 2019 as set out in the supplementary agreement:

i) The target profit as defined in the supplementary agreement for the years 2017, 2018 and 2019 to be achieved as RMB123 million, RMB213.5 million and RMB500 million respectively;

ii) The unmodified audited report on Ruihu in respect of each reporting period to be submitted to Ruihua before 31 May of each following reporting period;

iii) Any of the Group's business activities which were in competition with Ruihu's business activities to be stopped before 31 December 2017; and

iv) Any other conditions as set out in the supplementary agreements

During the year ended 31 December 2018, the Group remeasured the fair value with a gain of approximately RMB1,397,000 recognised in profit or loss.

On 27 March 2019, the Group entered into a comprise agreement with Ruihua Enterprises pursuant to which the Group agreed to settle the outstanding obligations as at 27 March 2019. The derivative financial instruments was reclassified to financial liabilities at FVTPL during the year ended 31 December 2019.

39. OTHER CURRENT LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Payable to the former owner of acquired subsidiary	**53,560**	53,560

The other liabilities arising from the contingent consideration arrangements represented payable to the former owner of acquired subsidiary, Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd ("Anhui Four Seas") in 2010. The contingent period was passed and the estimated consideration was at RMB53,560,000. The consideration payables are still subject to final negotiation with the former owner, which might be further adjusted when agreed. On 22 May 2020, the Company entered into an equity pledge to pledge 65% of the equity interest of the Anhui Four Seas against the consideration to the former owner.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

40. PROVISIONS

	Litigation (Note (a), (b) and(c)) RMB'000	Provision for reinstatement costs (Note (d)) RMB'000	Total RMB'000
At 1 January 2019	—	—	—
Provision for the year	2,566	806	3,372
At 31 December 2019	2,566	806	3,372
Provision for the year	7,406	285	7,691
Reversal for the year	—	(359)	(359)
At 31 December 2020	**9,972**	**732**	**10,704**

	2020 RMB'000	2019 RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	**648**	620
Current liabilities	**10,056**	2,752
	10,704	3,372

Notes:

(a) Litigations made by Mr. Cao Kuanping against the Group

(i) During the year ended 31 December 2019, the former director Mr. Cao Kuanping commenced legal proceedings against the Group seeking for compensation of RMB3,600,000 on unlawful termination of the employment contract by a subsidiary of the Group. Mr. Cao Kuangping increased the claim to RMB4,800,000 and also claimed for the salary for March 2019. Pursuant to a court order issued by the People's Court of Hanjiang District, Yangzhou on 30 October 2020, an outstanding salary of RMB64,367.8 in March 2019 is payable by Yangzhou Huiyin Technology Group Co., Ltd., a subsidiary of the Group, to Mr. Cao Kuanping, but Mr. Cao Kuanping's other litigation claims were rejected. As of 31 December 2020, the inventories of RMB4,527,000 held by Yangzhou Huiyin Household Appliance Co., Ltd., a subsidiary of the Group, were seized for a period of three years pending the outcome of the legal proceedings. At present, Mr. Cao Kuanping is further appealing to the Court.

The directors, after consultation with the legal advisor, considered that a provision for the legal proceedings of RMB4,900,000 shall be made on a prudent basis as there are uncertainties in legal proceedings.

40. PROVISIONS *(Continued)*

Notes: (Continued)

(a) Litigations made by Mr. Cao Kuanping against the Group (Continued)

(ii) During the year ended 31 December 2019, the former director Mr. Cao Kuanping commenced legal proceedings against the Group seeking for outstanding salaries of RMB200,000 and insurance premium of US$1,705,278 (equivalent to RMB11,873,000). The insurance premium represented unpaid three years insurance premium for 2019 to 2021 of US$358,426 per annum. According to the complaint filed by Mr. Cao Kuanping, the subsidiary of the Group promised to pay the insurance premium from 2012 for a period of ten years provided that Mr. Cao Kuanping did not leave the subsidiary on his own accord. However, the subsidiary failed to make the payment of insurance premium which was due on 4 February 2019. On 21 March 2019, the subsidiary terminated the employment contract with Mr. Cao Kuanping. Pursuant to a court order issued by the People's Court of Hanjiang District, Yangzhou on 17 November 2020, a commercial insurance of US$358,426 in 2019 and an outstanding salary of RMB200,000 in January and February 2019 are payable by Yangzhou Huiyin Household Appliance Co., Ltd. to Mr. Cao Kuanping, but Mr. Cao Kuanping's other litigation claims were rejected. As of 31 December 2020, certain right-of-use assets of RMB2,344,000 (2019: RMB3,181,000), buildings of RMB23,568,000 (2019: RMB25,848,000) and investment properties of RMB10,030,000 (2019: RMB7,786,000) with a total carrying amount of RMB35,942,000 (2019: RMB36,815,000) held by Yangzhou Huiyin Household Appliance Co., Ltd. were frozen for a period of three years pending the outcome of the legal proceedings. The aforesaid right-of-use assets, buildings and investment properties were pledged to Ruihua Enterprises as disclosed in note 49 to the consolidated financial statements. Up to the date of these consolidated financial statements, Mr. Cao Kuanping is further appealing to the Court.

Up to the date of approval of these consolidated financial statements, the case is still ongoing. The directors, after consultation with the legal advisor, considered that a provision for the legal proceedings of RMB2,540,000 shall be made on a prudent basis as there are uncertainties in legal proceedings.

(iii) During the year ended 31 December 2019, the former director Mr. Cao Kuanping commenced legal proceedings against a subsidiary of the Group seeking for outstanding rental charges of RMB2,872,000 together with default penalty and accrued interest of RMB981,000, totaling RMB3,853,000. According to the complaint filed by Mr. Cao Kuanping, the subsidiary leased an office from Mr. Cao Kuanping from 20 April 2016 for a period of three years at RMB3,672,400 per annum. However, the rental charges for the period from 18 January 2018 to 19 January 2019 were not fully paid with an outstanding rental payable of RMB2,872,000. On 23 December 2019, the bank account of the subsidiary with a balance of RMB4,000,000 was frozen by the court. On 1 December 2020, Yangzhou Intermediate Court has ruled the subsidiary is liable for an amount of RMB2,422,000.

At the date of approval of these consolidated financial statements, the cases of (i) and (ii) are still ongoing and the final outcome of which would be subject to the final judgements of the courts.

(b) Litigations made by other parties against the Group

The Group has contingent liabilities arising from the ordinary course of business relating to claims from suppliers, employees and other parties. Judgements for certain cases were made by courts in the PRC against the Group. In additions to the provision of RMB2,532,000 made for the year ended 31 December 2020, the Group had accounted for the outstanding amounts in the trade and other payables. The directors considered that sufficient provision had been made in the consolidated financial statements according to the judgements. In addition, bank deposits of RMB2,217,000 were frozen by courts for certain of these legal proceedings. The directors have made estimates for potential litigation costs and claims based upon consultation with PRC lawyers. Actual results could differ from these estimates. In the opinion of the directors, such litigations and claims will not have a material adverse effect on the Group's financial condition, financial performance or cash flows.

(c) Litigations made by the Group against suppliers

During the year ended 31 December 2019, the Group continued the legal proceedings against two suppliers namely Suohai and Zhipu for recovery of prepayments totaling RMB355,371,000 made to them in previous years. In view of the uncertainty of the legal proceedings and the difficulties in enforcing the judgement against Suohai and Zhipu, the prepayments were fully written off in prior year. At 31 December 2019 and 2020, there were outstanding balances of RMB58,911,000 arising from purchases of goods from Suohai and Zhipu made in previous years which were included in the trade payable as stated in note 30 to the consolidated financial statements. Up to the date of approval of these consolidated financial statements, the litigations are still in the trial.

(d) The provision for the reinstatement costs represents the Directors need estimate of the liabilities associated with the removal and disposal of lease hold improvements at the end of lease terms when the Group is contractually obliged to restore the rented premises to a condition specified in the lease agreements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

41. SHARE-BASED PAYMENT TRANSACTIONS

On 5 March 2010, the Company adopted a share option scheme (the "Scheme"). The purpose of the share option scheme is to provide the Company with a flexible means of giving incentive to, rewarding, compensating and/or providing to the participants and for such other purposes as the board of directors may approve from time to time. The Directors may, at its discretion, invite any executive, non-executive or independent non-executive directors or any employees of the Company, or any of its subsidiaries or associated companies to take up share options.

(a) The following table disclose movements of the Scheme during the year:

	2020				
Option	**Outstanding at 1 January 2020**	**Share consolidation (Note)**	**Forfeited during the year**	**Outstanding at 31 December 2020**	**Remaining contractual life at 31 December 2020**
14 May 2015 share options	**21,500,000**	**(20,425,000)**	**(1,075,000)**	—	—
22 December 2015 share options	**11,380,000**	**(10,811,000)**	**(569,000)**	—	—
	32,880,000	**(31,236,000)**	**(1,644,000)**	—	

Note: Share Consolidation on the basis of every twenty issued and unissued shares of the Company of US$0.001 each were consdidated into one consolidated share of US$0.02 with effect from 7 January 2020 as disclosed in note 33(a).

	2019			
Option	Outstanding at 1 January 2019	Forfeited during the year	Outstanding at 31 December 2019	Remaining contractual life at 31 December 2019
14 May 2015 share options	21,500,000	—	21,500,000	0.36 years
22 December 2015 share options	11,380,000	—	11,380,000	5.9 years
	32,880,000	—	32,880,000	

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) The following table lists the significant inputs to the fair value model of share options:

	Share options granted on 14 May 2015		Share options granted on 22 December 2015
	Nine directors and an associate of a director	Management members	Ordinary employees
Fair value per share at valuation date (HK$)	1.69	1.69	0.41
Exercise price (HK$)	1.69	1.69	0.95
Exercise multiple	2.8	2.2	2.2
Risk-free rate	1.199%	1.199%	1.46%
Volatility	61.95%	61.95%	67%
Expected dividend yield	0.00%	0.00%	0.00%
Post-vesting forfeiture rate	0%	20%	20%

(i) Share options granted on 14 May 2015

On 14 May 2015, pursuant to the share option scheme, the nine directors, an associate of a director and certain management members were granted the Share Options to subscribe for up to 100,000,000 shares of the Company. 50,000,000 shares shall vest on 14 August 2015, whilst the remaining ones shall vest on 14 May 2016. The exercise price is HK$1.69 per share.

The fair value of the options granted determined using the binomial tree model was HK$73,041,950. The options have been divided into two parts according to different employees level. The share options will be expired on 13 May 2020.

(ii) Share options granted on 22 December 2015

On 22 December 2015, pursuant to the Share Option Scheme, certain ordinary employees were granted the Share Options to subscribe for up to 145,680,000 shares of the Company and no director, associate of a director or key management member was granted the Share Options. All shares shall vest on 22 June 2016. The exercise price is HK$0.95 per share.

The fair value of the options granted determined using the binomial tree model was HK$59,728,800. The options have been divided into two parts according to different employees level. The share options will be expired on 21 December 2025.

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

42. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises, warehouses and stores under non-cancellable operating lease agreements. At 31 December 2019 and 2020, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2020 RMB'000	2019 RMB'000
Not later than 1 year	—	241
	—	241

At 31 December 2019, operating lease related to office premises and warehouses with lease terms of less than 1 year. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

43. OPERATING LEASING ARRANGEMENTS

The Group leases out investment properties to other parties under operating leases. The leases typically run for an initial period of 1 to 5 years, with certain leases having an option to renew the lease after that date at which time all terms are renegotiated. None of the leases included contingent rentals.

Undiscounted lease payments receivable on leases are as follows:

	2020 RMB'000	2019 RMB'000
Not later than 1 year	1,763	6,671
Later than 1 year and not later than 5 years	3,512	7,326
	5,275	13,997

44. CAPITAL COMMITMENTS

On 27 March 2019, the Group entered into a compromise agreement with Ruihua Enterprises the details of which are set out in note 38. Pursuant to the compromise agreement the Group agreed to settle the outstanding obligations at RMB12,000,000. After signing of the compromise agreement Ruihua Enterprises would withdraw the litigation for repayment against the Group. Ruihua Enterprises withdrew the litigation against the Group in April 2019 and the Group have settled the RMB12,000,000 with Ruihua Enterprises in 2019. The Directors considered that the capital commitments in respect of its equity investment in Nanjing Ruihua Electronic Commercial Technology Co., Ltd. and the purchase of 10% equity interest in Jiangsu Huiyin Electronic Commerce Co., Ltd. from a non-controlling interest shareholder, 江蘇瑞華投資合夥企業(有限合夥) would not be required under the above arrangement. The Directors believed that there were no capital commitment as at 31 December 2019 and 2020.

45. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

At 31 December 2020, the capital structure of the Group consists of cash and cash equivalents of RMB36,457,000 (2019: RMB23,677,000) and negative balance of equity attributable to owners of the Company of RMB326,454,000 (2019: RMB302,523,000).

The Directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with its capital.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at fair value		
– Equity investment designated at FVTOCI	600	600
Financial assets at amortised cost		
– Trade and bills receivables	10,698	8,878
– Other receivables	33,129	31,854
– Restricted bank deposits	14,438	23,242
– Cash and bank balances	36,457	23,677
	94,722	87,651
	95,322	88,251

	2020 RMB'000	2019 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
– Bank borrowings	4,000	—
– Other borrowings	388,074	415,576
– Bonds payables	8,532	8,027
– Trade and bills payable	127,198	131,125
– Accruals and other payable	49,679	43,015
– Other current liabilities	53,560	53,560
– Lease liabilities	51,364	70,185
	682,407	721,488

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices

The Group's major financial instruments include borrowings, trade receivables, trade payables, lease liabilities and bond. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Market risk

Currency risk

The Group operates mainly in the PRC and is exposed to currency risk with respect to primarily HK$ and US$. Foreign exchange risk arises from recognised assets and liabilities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2020 and 2019.

At 31 December 2020 and 2019, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	2020		2019	
	HK$ RMB'000	US$ RMB'000	HK$ RMB'000	US$ RMB'000
Cash and bank balances	21	3	617	275
Accruals and other payables	(25,445)	—	(11,914)	5,384
Borrowings	(8,532)	—	(8,027)	(29,525)
	(33,956)	3	(19,324)	(23,866)

Sensitivity analysis

At 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%), against HK$ with all other variables held constant, pre-tax loss for the year would have been approximately RMB1,698,000 higher/lower (2019: pre-tax loss for the year of RMB966,000) higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and bank balances, accruals and other payables, and borrowings.

At 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%), against US$ with all other variables held constant, pre-tax loss for the year would not be material (2019: pre-tax loss for the year: RMB1,193,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and bank balances, accruals and other payables and borrowings.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk

Other than bank deposits with stable interest rate (Notes 28 and 29), the Group has no other significant interest-bearing assets. The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, as the interest rates of bank deposits are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. At 31 December 2020, borrowings at fixed rates comprise bank borrowings of RMB 4,000,000 (2019: RMB Nil) and other borrowings/advances of RMB345,373,000 (2019: RMB403,021,000). Borrowings at fixed rates exposed the Group to fair value interest rate risk. The Group did not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 36.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB110,000 (2019: RMB14,000).

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, finance lease receivables, restricted bank deposits, bank balances, prepayments, other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Restricted bank deposits/Bank balances

Credit risk on restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Receivables

Trade receivables are due from wholesale customers with an appropriate financial strength. The Group grants the average credit term to these customers ranging from 30 days to 90 days, and the balances exceeding the credit term are monitored by the Group.

Bills receivables are the bills issued by customers and accepted by banks, they are expired usually in 3 to 6 months. The Directors are of the opinion that there is no significant credit risk on those bills, because most of the bills are accepted by several nationwide and regional renowned financial institutions in the PRC without significant credit risk.

Other receivables also comprise the rental deposits. Rental deposits are placed with various landlords in the PRC and are due upon the expiry of the tenancy agreements and handover of the leased premises.

The Group assess the credit quality of other receivables by taking into account various factors including their financial position, past experience and other factors.

The carrying amount of receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to these financial assets.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

At 31 December 2020	Current (not past due) RMB'000	1-9 months past due RMB'000	10-21 months Past due RMB'000	22 months or over past due RMB'000	Total RMB'000
Provision on individual basis					
Lifetime ECL rate	100%	100%	100%	100%	
Gross carrying amount of certain debtor(s)	—	—	1	17,972	17,973
Loss allowance of certain debtor(s)	—	—	(1)	(17,972)	(17,973)
Provision on collective basis					
Lifetime ECLrate	5%	9.6%	16.7%	100%	
Gross carrying amount excluding certain debtor(s)	5,781	4,410	1,150	—	11,341
Loss allowance excluding certain debtor(s)	(289)	(423)	(191)	—	(903)
Total gross amount	5,781	4,410	1,151	17,972	29,314
Total loss allowance	(289)	(423)	(192)	(17,972)	(18,876)
Total net amount	5,492	3,987	959	—	10,438

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

At 31 December 2019	Current (not past due) RMB'000	1-9 months past due RMB'000	10-21 months Past due RMB'000	22 months or over past due RMB'000	Total RMB'000
Provision on individual basis					
Lifetime ECL rate	100%	100%	100%	100%	
Gross carrying amount of certain debtor(s)	920	154	1,916	12,347	15,337
Loss allowance of certain debtor(s)	(920)	(154)	(1,916)	(12,347)	(15,337)
Provision on collective basis					
Lifetime ECL rate	0.64%	1.65%	38.5%	87.9%	
Gross carrying amount excluding certain debtor(s)	2,026	5,741	1,373	1,434	10,574
Loss allowance excluding certain debtor(s)	(13)	(95)	(529)	(1,259)	(1,896)
Total gross amount	2,946	5,895	3,289	13,781	25,911
Total loss allowance	(933)	(249)	(2,445)	(13,606)	(17,233)
Total net amount	2,013	5,646	844	175	8,678

ECL rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (Credit-impaired)	
	2020 RMB'000	2019 RMB'000
At 1 January	**17,233**	15,407
Impairment losses recognised	**1,643**	1,826
At 31 December	**18,876**	17,233

Changes in loss allowance for trade receivables are mainly due to increase in trade receivables with aging over 1 year resulted in an increase in loss allowance.

Prepayment, other receivables and deposits

Other receivables, deposits and other financial assets are measured at amortised cost. To measure the ECL of financial assets at amortised cost as included in prepayments, deposits and other receivables have been grouped based on credit risk characteristics and internal credit risk assessment.

The Group's internal assessment in respect of other receivables, deposits and other financial assets at amortised cost comprises the following categories:

Internal credit assessment	Description	Other receivables, deposits and other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past due amounts	12 month ECL
Medium risk	Debtors frequently repay after due date but usually settle after due date	12 month ECL
Watch list	There have been significant increase in credit risk since initial recognition through internal or external resources	Lifetime ECL – not credit impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and litigation, and the Group has no realistic prospect of recovery.	Amount is written off

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Prepayment, other receivables and deposits (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for financial assets at amortised cost as included in prepayments, deposits and other receivables as at 31 December 2020.

	Average loss rate		Gross carrying amount		Loss allowance	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Within 1 year (Medium risk)	—	13.90%	—	3,332	—	463
Over 1 year (Medium risk)	**95.02%**	92.26%	**6,089**	9,913	**5,795**	9,146
			6,089	13,245	**5,795**	9,609

The following tables show reconciliation of loss allowances that has been recognised for prepayments, deposits and other receivables.

	Total RMB'000
At 1 January 2019	**6,388**
Amounts written off against other receivables	**(500)**
Impairment loss on other receivables	**3,721**
At 31 December 2019	**9,609**
Reversal of impairment losses on other receivables	**(4,095)**
Impairment loss on other receivables	**281**
At 31 December 2020	**5,795**

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash through internally generated sales proceeds and external sources of funds through committed credit facilities from bank or other borrowings from individual third parties and related parties of the Company to meet the operation needs. Actions taken by management of the Group to meet immediate liquidity needs are also described in Note 4.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

46. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(iii) Liquidity risk *(Continued)*

		Contractual undiscounted cash flow					
	Weighted average interest rate %	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying Amount RMB'000
At 31 December 2020							
Financial liabilities							
Other borrowings	5.33%	7,806	59,588	365,463	—	432,857	392,074
Bonds payables	12.6%	505	505	8,605	—	9,615	8,532
Bank borrowings	3.65%	4,097	—	—	—	4,097	4,000
Trade and bills payables	—	127,198	—	—	—	127,198	127,198
Accruals and other payables	—	49,679	—	—	—	49,679	49,679
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	12.45%	19,734	15,555	19,779	2,689	57,757	51,364
		262,579	75,648	393,847	2,689	734,763	686,407
As at 31 December 2019							
Financial liabilities							
Other borrowings	3.95%	375,748	52,840	3,414	—	432,002	415,576
Bonds payables	34.06%	537	537	9,687	—	10,761	8,027
Trade and bills payables	—	131,125	—	—	—	131,125	131,125
Accruals and other payables	—	43,015	—	—	—	43,015	43,015
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	19.29%	25,073	21,697	29,251	7,703	83,724	70,185
		629,058	75,074	42,352	7,703	754,187	721,488

(c) Fair value measurement of financial instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The following table gives information about how the fair values of equity investment designated at FVTOCI are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2020 RMB'000	2019 RMB'000				
Unlisted equity investment designated at fair value through other comprehensive income	**600**	600	Level 3	Discounted cash flow approach of income approach	Growth rate: 5% (2019: 5%)	The higher the growth rate, the higher the fair value of the unlisted equity investment.
					Discount rate: 8% (2019: 8%)	The higher the discount rate, the lower the value of the unlisted equity investment.

There were no transfers between Level 1, 2 and 3 during the year (2019: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

46. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Included in other net gain as set out in note 9, nil of fair value changes on financial liabilities at FVTPL for the year ended 31 December 2020 (2019: RMB 18,683,000 was recognised in profit or loss for the year).

Reconciliation of Level 3 fair value measurements

	Unlisted equity investment designated at fair value through other comprehensive income RMB'000	Derivative of the interest in Nanjing Ruihu Electronic Commercial Technology Co. Ltd. RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2020 and 31 December 2020	600	—	—	600
At 1 January 2019	600	(26,178)	—	(25,578)
Reclassification during the year	—	26,178	(26,178)	—
Reclassified from advances from an equity investor of an associate	—	—	(4,505)	(4,505)
Settlement paid	—	—	12,000	12,000
Fair value change recognised in profit or loss	—	—	18,683	18,683
At 31 December 2019, 1 January 2020 and 31 December 2020	600	—	—	600

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings RMB'000 (Note 36)	Bonds payables RMB'000 (Note 36)	Advances from a third party RMB'000 (Note 21)	Other borrowings RMB'000 (Note 26)	Advance from equity investor of an associate RMB'000 (Note 31)	Other payable arising from financing activities RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 37)	Loan from a shareholder RMB'000	Total RMB'000
At 1 January 2019	38,000	7,616	25,410	348,518	3,900	2,930	83,776	—	510,150
Changes from financing cash flows									
Repayment of bank borrowings	(38,000)	—	—	—	—	—	—	—	(38,000)
Advance from third parties and related parties	—	—	—	149,793	—	—	—	—	149,793
Repayment of advance from third and related parties	—	—	(25,410)	(88,272)	—	—	—	—	(113,682)
Capital element of lease rentals paid	—	—	—	—	—	—	(13,591)	—	(13,591)
Interest element of rentals paid	—	—	—	—	—	—	(6,243)	—	(6,243)
Total changes from financing cash flows	(38,000)	—	(25,410)	61,521	—	—	(19,834)	—	(21,723)
Non-cash measurements									
Exchange adjustments	—	170	—	700	—	—	—	—	870
Accrued overdue penalty charge	—	—	—	—	605	—	—	—	605
Accrued interest	—	241	—	4,837	—	—	6,243	—	11,321
Reclassified to financial liabilities at FVTPL	—	—	—	—	(4,505)	—	—	—	(4,505)
At 31 December 2019	—	8,027	—	415,576	—	2,930	70,185	—	496,718
At 1 January 2020	—	8,027	—	415,576	—	2,930	70,185	—	496,718
Proceed from bank borrowing	4,000	—	—	—	—	—	—	—	4,000
Advance from third parties and related parties and other borrowings	—	—	—	186,559	—	—	—	—	186,559
Proceed from Loan from a shareholder	—	—	—	—	—	—	—	25,445	25,445
Repayments of other borrowings	—	—	—	(234,031)	—	—	—	—	(234,031)
Proceeds from issuance of ordinary shares	—	—	—	—	—	56,353	—	—	56,353
Capital elements of lease rental paid	—	—	—	—	—	—	(19,465)	—	(19,465)
Lease elements of lease rental paid	—	—	—	—	—	—	(4,735)	—	(4,735)
Total changes from financing activities	4,000	—	—	(47,472)	—	56,353	(24,200)	25,445	14,126
Non-cash measurements									
Exchange adjustment	—	28	—	(2,254)	—	—	—	—	(2,226)
Accrued interest	—	477	—	22,224	—	—	—	—	22,701
Newly entered rental agreement during the year	—	—	—	—	—	—	23,938	—	23,938
Termination of rental agreement	—	—	—	—	—	—	(18,559)	—	(18,559)
Transfer to share capital and share premium upon issue of shares	—	—	—	—	—	(59,283)	—	—	(59,283)
At 31 December 2020	4,000	8,532	—	388,074	—	—	51,364	25,445	477,415

48. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Balance with related parties

	Note	2020 RMB'000	2019 RMB'000
Amount due to a shareholder	31(c)	5,057	5,230
Rental payable to a former director	31(d)	2,476	3,853
Amounts due to Chongqing Saint	31(e)	158	2,077
Loans from entities controlled by the Chairman	36(b)(ii)	56,255	53,755
Loans from Chongqing Saint	36(b)(iii)	192,439	—
Loans from a related party	36(b)(iv)	268	11,929
Loans from a related company	36(b)(v)	—	29,525
Loans from a shareholder	31(f)	23,445	—
Trade payable to an associate	30(a)	23,481	23,481

Transactions with related parties

During the year, the Group entered into the following transactions with related parties:

	Note	2020 RMB'000	2019 RMB'000
Penalty and default charge on rental payable to a former director, Mr. Cao Kuanping		—	981
Interest expenses on loans from entities controlled by the chairman	10	2,501	2,500
Inerest expenses on loans from shareholders	10	3,181	—
Interest expenses on loans from a related company	10	154	853
Interest expenses on loans from a related party	10	160	179
Interest expenses on loans from entities connected with a director of the joint venture	10	—	898

A property leasing contract for office use was entered into by the Group with Mr. Cao Kuanping in 2016 for a term of 3 years from 20 January 2016 to 19 January 2019. At the material time, the property easing contract constituted a continuing connected transaction under Chapter 14A of the Listing Rules and the Company has disclosed the same in accordance with the disclosure requirements pursuant to Chapter 14A of the Listing Rules. During the year ended 31 December 2019, Mr. Cao Kuanping commenced legal proceedings against the Group seeking for outstanding rental charges of RMB2,872,000 together with penalty and default charge of RMB981,000, totaling RMB3,853,000. In addition, Mr. Cao Kuanping also commerced other legal proceedings against the Group as disclosed in note 31 and note 40. The case is settled on 1 December 2020.

In the opinion of the Directors, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the related parties.

48. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and other benefits in kind	1,516	2,001
Social security costs	12	193
	1,528	2,194

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

49. PLEDGE OF ASSETS

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	Note	2020 RMB'000	2019 RMB'000
Right-of-use assets	19	14,094	18,433
Investment properties	20	50,665	39,022
Buildings	18	121,669	133,500
Current net assets		186,428	190,955

At 31 December 2020, the above assets of RMB150,486,000 (2019: RMB154,140,000) were pledged to Party A for other borrowings granted to the Group and RMB35,942,000 (2019: RMB36,815,000) were pledged to Ruihua as disclosed in note 38. The assets of RMB35,942,000 (2019: RMB36,815,000) were also frozen by a PRC court for a legal proceedings as disclosed in note 40(a)(ii).

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

50. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Indirectly		Principal activities	note
			2020	2019		
Directly owned						
China Yinrui (HK) Investment Holding Company Limited	Hong Kong	HK$1	100%	100%	Investment holding	
Fuhua Investment Holding Co., Ltd	BVI	US$1	100%	100%	Investment holding	
Indirectly owned						
Yangzhou Huiyin Technology Group Co., Ltd. (formerly known as "Yangzhou Huiyin Household Appliance (Group) Co., Ltd." 揚州匯銀科技集團有限公司 (前稱「揚州匯銀家電(集團)有限公司」)	The PRC	US$147,000,000	100%	100%	Bulk distribution sales and provision of after-sales services of household appliances	
Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd (formerly known as "Jiangsu Huiyin Electronics Chain-Stores Co., Ltd.") 江蘇匯銀樂虎商業連有限公司 (前稱「江蘇滙銀器連鎖有限公司」)	The PRC	RMB62,500,000	100%	100%	Retail sales and provision of after-sales services of household appliances	
Yangzhou Hengjin Air-conditioner Sales Co., Ltd. 揚州恒金空調銷售有限公司	The PRC	RMB 50,000,000	100%	100%	Bulk distribution sales of Daikin air conditioners	
Yangzhou Huide Electronics Distribution Co., Ltd. 揚州滙德電器營銷有限公司	The PRC	RMB 50,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Logistic Co., Ltd 揚州滙銀物流有限公司	The PRC	US$5,000,000	100%	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Household Appliances Sales Co., Ltd 揚州滙銀電器銷售有限公司	The PRC	US$4,100,000	100%	100%	Retail sales of household appliances	
Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd. 安徽四海滙銀家電銷售有限公司	The PRC	RMB50,000,000	65%	65%	Retail sales of household appliances	
Wuxi Huiyin Household Appliances Sales 無錫匯銀家電銷售有限公司	The PRC	RMB1,800,000	100%	100%	Bulk distribution sales of household appliances	
Nanjing Chaoming Technology Development Co., Ltd. 南京潮明科技發展有限公司	The PRC	RMB10,000,000	100%	100%	Retail and bulk distribution sales of household appliances	
Jiangsu Huiyin Electronics (Anhui) Co., Ltd. 江蘇匯銀電器(安徽)有限公司	The PRC	RMB2,000,000	100%	100%	Bulk distribution sales of household appliances	
Yangzhou Shengshi Xinxing Electronics Sales Co., Ltd. 揚州盛世欣興電器銷售有限公司	The PRC	RMB10,000,000	100%	100%	Inactive	
Jiangsu Kuanrui Trade Logistics Development Co.,Ltd. 江蘇寬瑞物流貿易發展有限公司	The PRC	EUR2,000,000	100%	100%	Logistic and warehouse services	
Jiangsu Huiyin Electronics Commerce Co., Ltd 江蘇匯銀電子商務有限公司	The PRC	RMB11,733,333	75%	75%	Sales of household appliances and other merchandise	(b)

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Indirectly		Principal activities	note
			2020	2019		
Indirectly owned						
Yangzhou Yinlinghui Recreation Center for Aged 揚州銀齡匯老年服務中心	The PRC	RMB100,000	Deregistered	75%	Community Services	(b)
Nanjing Activity Center for Aged 南京老年活動中心	The PRC	RMB50,000	Deregistered	75%	Community Services	(b)
Nanjing Huiyin Lehu Logistic Management Co., Ltd. 南京匯銀樂虎供應鏈管理有限公司	The PRC	RMB30,000,000	82%	82%	Logistic and Warehouse Service	
Yangzhou Huiyin Electric Appliance Sales Co., Ltd 揚州匯銀電器銷售有限公司	PRC	USD4,100,000	100%	100%	Retail sales of household appliances	
Yangzhou Huiyin Commercial Chain Co., Ltd 揚州匯銀商業連鎖有限公司	PRC	HKD40,200,000	100%	100%	Bulk distribution sales	
Anhui Meihuimei Trade Co., Ltd 安徽美匯美商貿有限公司	PRC	RMB5,000,000	65%	—	Inactive	
Yangzhou Jiuhao Electrical Trading Co., Ltd 揚州久好電器商貿有限公司	PRC	RMB50,000,000	100%	—	Investment holding	
Yangzhou Laihao Electrical Trading Co., Ltd 揚州來好電器商貿有限公司	PRC	RMB40,000,000	100%	—	Investment holding	
Wuxi Huiyin Home Appliance Sales Co., Ltd 無錫匯銀家電銷售有限公司	PRC	RMB1,800,000	100%	100%	Bulk distribution sales	
Shanghai Huiyin Haihu E-commerce Co., Ltd 上海匯銀海虎電子商務有限公司	PRC	RMB50,000,000	80%	80%	Inactive	
Shanghai Jingjian Dongkang Trading Co., Ltd 上海靜健動康貿易有限公司	PRC	RMB2,000,000	100%	100%	Bulk distribution sales	
Nanjing Huiyin Lehu Information Technology Co., Ltd 南京匯銀樂虎信息科技有限公司	PRC	USD50,000,000	100%	100%	Inactive	
Jiangsu Huisheng Supply Chain Management Co., Ltd 江蘇匯晟供應鏈管理有限公司	PRC	RMB50,000,000	55%	55%	Logistic and Warehouse Service	
Nangjing HaiHuitong Supply Chain Services 南京海滙通供應鏈服務有限公司	PRC	RMB30,000,000	15%	15%	Logistic and Warehouse Service	(a)

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

Note:

(a) On 12 December 2016, Yangzhou Huiyin, together with Yangzhou Yinhua Investment Consultation Co., Ltd. (揚州銀華企業投資諮詢有限公司, a company wholly owned by Mr. Cao Kuanping, a former director of the Company at that date), Nanjing Jingjiandongkang Trading Co.,Ltd. (南京靜健動康貿易有限公司) and Yangzhou Maikensu Investment Partnership ("Yangzhou Maikensu") (揚州麥肯蘇投資合夥企業, a company owned by certain employees of the Group),set up Nanjing Haihuitong Supply Chain Services Co.,Ltd. (南京海滙通供應鏈服務有限公司)("Haihuitong"). Haihuitong is economically dependent on the Group due to the facts that (i) the Group was its primary customer and 99% of the sales of Haihuitong were made to the Group; (ii) it relied on the Group to provide funding for its operations as all the registered shareholders had not yet contributed any capital to Haihuitong at the end of the reporting period; and (iii) the core management team members of Haihuitong were employees of the Group and 4 out of 7 members of the directors of Haihuitong were also employees of the Group. Therefore, Haihuitong is regarded as a subsidiary of the Group and its assets, liabilities and financial results is consolidated in the financial statements of the Group.

(b) Although Yangzhou Maikensu has been registered as 15% shareholder of Jiangsu Electronics Commerce, it has not contributed its proportional share of registered capital. The directors of the Company is of the view that the net assets of Jiangsu Electronics Commerce and its subsidiaries at the end of the reporting period and the financial performance for the year then ended would not be shared with Yangzhou Maikensu, and accordingly, no non-controlling interest at the end of the reporting period and loss attributable to non-controlling interest were recorded for Yangzhou Maikensu, respectively.

(c) None of the subsidiaries had issued any debt securities at the end of the year.

50. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests ("NCI"):

Anhui Four Seas

	2020 RMB'000	2019 RMB'000
NCI percentage	35%	35%
Current assets	71,912	98,503
Current liabilities	(21,014)	(38,547)
Current net assets	50,898	59,956
Non-current assets	28,769	15,573
Non-current liabilities	(16,510)	(7,464)
Non-current net assets	12,259	8,109
Equity attributable to owners of the Company	63,157	68,065
Accumulated NCI	22,105	23,823

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	216,631	175,082
Loss for the year	(4,918)	(1,510)
Other comprehensive income	—	—
Total comprehensive expense for the year	(4,918)	(1,510)
Loss for the year attributable to NCI	(1,721)	(528)
Dividends paid to NCI	—	—
Cash inflows from operating activities	11,729	10,563
Cash outflows from investing activities	(9,572)	(85)
Cash outflows from financing activities	(8,705)	(5,898)
Net cash (outflow)/inflow	(6,548)	4,580

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
ASSETS		
Non-current Assets		
Investments in subsidiaries	—	—
Current Assets		
Cash and cash equivalents	23,990	694
Other receivables	25,751	308
	49,741	1,002
TOTAL ASSETS	49,741	1,002
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	24,512	16,766
Share premium	1,855,155	1,803,618
Other reserves	119,475	119,475
Accumulated losses	(2,000,887)	(1,992,991)
Total Equity	(1,745)	(53,132)
Non-current Liabilities		
Borrowings	8,532	8,027
Current Liabilities		
Accruals and other payables	42,954	16,582
Borrowings	—	29,525
Total Current Liabilities	42,954	46,107
Total Liabilities	51,486	54,134
Total Equity and Liabilities	49,741	1,002

The Company's statement of financial position were approved and authorised for issue by the board of directors on 22 March 2021 and are signed on its behalf by:

Yuan Li
Director

Liu Simei
Director

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium RMB'000 (Note 34)	Other reserves RMB'000 (Note 34)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	1,803,618	119,475	(1,966,810)	(43,717)
Loss and total comprehensive expenses for the year	—	—	(26,181)	(26,181)
At 31 December 2019	1,803,618	119,475	(1,992,991)	(69,898)
Loss and total comprehensive expenses for the year	—	—	(7,896)	(7,896)
Issue of shares	51,537	—	—	51,537
At 31 December 2020	1,855,155	119,475	(2,000,887)	(26,257)

Financial Summary

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				Restated	
Results					
Revenue	**351,727**	470,731	920,807	1,347,436	1,384,029
Loss attributable to equity holders of the Company	**(83,214)**	(108,837)	(160,731)	(715,623)	(722,752)
Assets and liabilities					
Total assets	**414,664**	475,661	601,885	1,015,475	1,895,820
Total liabilities	**720,131**	755,459	772,784	1,212,588	1,559,070
Total equity	**(305,467)**	(279,798)	(170,899)	(197,113)	336,750
Non-controlling interests in equity	**20,987**	22,725	22,787	28,756	22,436