Huiyin Smart Community Co., Ltd.
汇银智慧社区有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

2018

INTERIM REPORT


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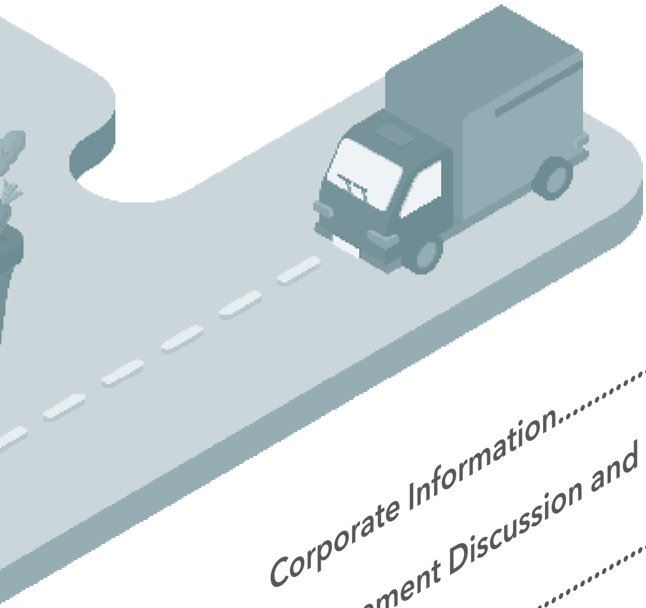


CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yuan Li *(Chairman)*
Mr. Xin Kexia *(Chief Executive Officer)*
Mr. Xu Xinying
Ms. Liu Simei

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Ngai Kit Fong

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

INDEPENDENT INVESTIGATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Yuan Li
Ms. Ngai Kit Fong

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 22, 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 interim report)

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

From the perspective of economic cycle, there is a down fall in every 10-year cycle, such as the Asian financial turmoil in 1998 and the global financial crisis in 2008. In 2018, China's macroeconomic indicators have almost hit new lows with the macroeconomic environment experiencing a downturn.

In the first half of 2018, the risks and difficulties encountered by the global economy have increased significantly comparing with those in 2017. This includes the Sino-US trade wars which arose the concern all over the world. It has triggered slowdown in global major economies, surging inflation and the implementation of tight monetary policy. The European economies is still sluggish with the slow economic recovery in Japan. Apart from that, the performance of emerging market countries is diverse when some of them are under pressure from capital outflows. Financial markets were volatile, with accumulated risks.

In the first half of 2018, according to the National Bureau of Statistics data, the GDP growth rate reached 6.8%, which was the same as the entire year last year, but there was slight decline in the nominal GDP growth rate. The Chinese government has launched a series of policies to maintain steady growth, promote reform, restructure, benefit people's livelihood and anti-risk, in the sake of economic transformation and upgrade. However, the external economic environment such as foreign trade is facing the unfavorable factors of increasing uncertainty.

In the first half of 2018, the environment of home appliance retail industry was affected by a series of factors such as the increase in raw material price, international trade situation and domestic consumption upgrade. The home appliance market was not calm at all, experiencing continuous impact on the market scale by the increase in price, the decrease in price and the shape falling of the sales volume. Meanwhile, there is a large variety of retail products and the market share of each integrated e-commerce is gradually expanding under the impetus of capital, making it difficult to obtain new customer flow via innovating new products. The development of retail business tends to be consumer-centric, focusing on producing unique products and service combination for the customers. It is also relying on the comprehensive interpretation of consumers with big data, artificial intelligence as a technical support for accurate marketing and positioning. In short, new retail business is evolving into a new consumption pattern.

BUSINESS REVIEW

Trading of the Company's shares has been suspended since 26 March 2018.

Integrated business model

After more than twenty years of operation and development, the Company and its subsidiaries (collectively the "Group") has gradually become the leading brand in the household appliances market in China's third- and fourth-tier cities. With the continuous maturity of China's commercial economy, home appliances have shifted from the seller's market to the buyer's market. In the past few years, the Group has been continuously seeking transformation and upgrading in emerging industries. In 2015, the Group started to engage in direct sales of cross-border imported goods and try out the new retail model with online and offline activities synchronised. After the market verification in the two years from 2016 to 2017, the cost of marketing is high and the convergence of talents is difficult. As at 30 June 2018, the Group had a total of 38 self-operated stores, including 27 comprehensive stores, 3 branded retail stores and 8 imported product experience stores. For the six months ended 30 June 2018, the Group's total revenue was approximately RMB568.1 million, representing a decrease of 16.7 % from approximately RMB681.9 million for the six months ended 30 June 2017. The Group's loss for the six months ended 30 June 2018 was approximately RMB91.7 million, while a profit of approximately RMB16.0 million was recorded for the same period of 2017. For the six months ended 30 June 2018, gross profit margin fell to 6.4 %, down 9.8 % from that for the same period of 2017.

Although the stores have been opened in second-tier cities such as Nanjing and Suzhou, the offline store network has expanded to the first-tier and second-tier cities. However, although the Group has made full use of its existing sales network and customer resources to rapidly promote the construction of a smart community life service platform and implement the "Internet Plus" thinking, the Group failed to achieve the expected results in promoting the integration and symbiosis of online and offline channels. A significant loss was recorded for the six months ended 30 June 2018 and the loss was attributable to the decrease in gross profit margin and the increase in expenses arising from the shrink in sales and decrease in gross profit margin.

Traditional home appliance retail business

In recent years, China has entered a historical period of consumption upgrade, and consumers are increasingly favoring high-end products with superior quality, fashionable exterior, energy-saving and environmentally-friendly characteristics. Home appliances have also become more functional, smarter and more personalized with smart home appliances becoming extremely important for improving the quality of life. Inverter air conditioners, drum washing machines, high-end refrigerators with side-by-side door and multiple doors, large-size flat-panel TVs and delicate kitchen appliances are becoming more and more popular. As the younger generation of consumers gradually become the main force of household appliance consumption, their consumption habits and changes in consumption patterns have also prompted the home appliance industry into the revolution in channel. Consumers pay more attention to the comfort, safety and the technological use in their daily life, and the demand for new and unique electronic products and intelligent electronic products is growing rapidly.

The Group still focuses its traditional home appliance business on high-growth markets in Jiangsu and Anhui provinces in the third-tier and fourth-tier cities. During the reporting period, our Group actively optimizes product structure and flexibly adjusts product mix for different market needs. At the same time, the Group focuses on supply chain management and inventory management and maintains long-term relationships with home appliance manufacturers and dealers.

In respect of client management, the Group continued to implement its business strategies focusing on client relationship management with efforts including sorting out client information and establishing client database by means of alliance across different industries, group purchases and community promotion, analyzing consumer characteristic of clients, establishing and maintaining good interaction with customers. Meanwhile, the Group continued to expand the connection of e-commerce platform to its existing sales network, enhanced synergy and interaction of online and offline sales, and realized resource and information sharing through the online platform. Through the implementation of various optimization strategies such as store renovation, merchandise display intelligentization, service-oriented marketing, staff skill improvement and corporate advertisement, the Group improved its overall competitiveness and operation efficiency effectively during the period under review.

Meanwhile, the Group continued to expand the connection between the "Huiyin Lehu" APP platform and the existing sales network, strengthening complement and interact with online and offline customers so as to increase market share and expand sales profitability. However, due to the overall macroeconomic downturn in 2018, as well as the high cost of the home appliance market and the increased share of the large integrated e-commerce market, the Group is still in the stage of transition. In short, the Group will further study the market dynamics with its own competitive advantages to build a solid foundation for business reform.

New retail business

In the past two years, China has introduced a series of incentives to encourage the development of cross-border e-commerce. Under the call of such national policy, the Group actively seeks and organizes various producers of different category as product service providers instead of procurement with agents so as to reduce the procurement costs and in turn, enhance the effectiveness of supply chain management. In terms of customers, the Company adheres to the customer-oriented philosophy, consistently implements the membership system, which offers discounts and value-added services to members. Members can order online for cross-border commodity via "Huiyin Lehu" APP and participate in different types of promotions for members.

Since 2015, the Group has successively opened Huiyin Lehu imported goods experience base in Yangzhou City, Nanjing City, Nantong City, Taizhou City, Suzhou City and Hefei City and opened dozens of directly-managed stores and franchise stores. However, these stores are all capital-driven, and the high cost of money-leaking, leading to one of the main reasons for the serious losses in recent years.

For the six months ended 30 June 2018, the sales revenue of the Group via cross-border commodity business was approximately RMB79.2 million, representing a decrease of 48.3% as compared with approximately RMB153.2 million for the same period of 2017. The data shows that the scale of the Group's new retail business has no breakthrough but in a serious shrink.

However, from the perspective of the domestic macro and micro policies and market dynamics, the new retail business is evolving into new consumption pattern, changing into side of supply to demand. Consumption is an eternal sunrise industry. The difference lie on how the consumption is done and how to grasp the direction of the trend in the process of retail consumption revolution. The Group will summarize the past lessons and build the Group's unique business model together with the advantageous resources accumulated by the Group's major shareholder, Noble Trade International Holdings Limited (聖行國際集團有限公司) ("Noble Trade") in the new consumption flow for many years!

Client services: after-sales and logistics management

Offering of after-sales services is not only an important contributor to the continuous operation of businesses but also a competitive advantage of the Company. The Company offers a broad range of installation and maintenance services for household appliance products purchased from the Company or from other third party vendors and suppliers, which also provides satisfactory services and technical support for the Company's businesses.

In recent years, the Company has provided free maintenance services to its registered members, which has been widely welcomed and has helped to expand the number of members of the Company. By operating under an authorised arrangement with an independent third-party operator, the Group is able to expand the geographical coverage of after-sales customer service by using less capital investment and lowering operational risks. As of June 30, 2018, the Company operated and managed 35 authorized service outlets to provide intimate and diversified after-sales maintenance services to customers in a wide range of areas.

In addition, the Company is committed to optimizing the logistics management of existing logistics networks, warehouses and distribution centers to cope with the growing business operations. In recent years, the Company has strengthened its information management and implemented real-time monitoring systems such as security systems, warehouse goods, and employee performance. At the same time, in addition to working with qualified third-party logistics providers, the Company has also established its own logistics team. The Company has installed GPS to improve the delivery process and online shopping experience maximally. The Company has integrated after-sales and logistics into a centralized platform to improve the efficiency and effectiveness of customer service management.

Diversified marketing and promotion strategies

With the diversification of the Company's business, the Company adopted a diversified marketing and promotion strategy for different business operations in different regions to adapt to the Company's business development and increase market share.

Through research, the Company found that the main driving force of the post-real estate industry is the replacement and upgrading of home appliances. The renewal cycle of big household appliances is generally 8 years to 10 years. The demand released for replacement after the peak of home appliance purchases under the consumption stimulus policy in 2009-2011 is an important engine for the growth of large home appliances such as air conditioner, refrigerator, washing machine, etc.

Therefore, on the one hand, the Company attracted community consumers through the old-for-new program for the community, free maintenance of home appliances, and free housekeeping in 2018. On the other hand, in terms of customer base expansion, the Company had achieved more accurate customer marketing and brand promotion strategies through electronic management of customer data. In addition, by upgrading the stores and optimizing the store layout and product structure, the Company achieved sales, management and service enhancements. The Company adopted a brand promotion strategy to flexibly deploy strategic store layouts in various regions.

Management information and office system integration and upgrade

On the one hand, the Group implements an information platform to comprehensively manage inventory, logistics and customer service systems. On the other hand, it integrates member management systems to analyze membership data and provides excellent services to its members. The mobile communication platform has also been used to optimize the customer experience and improve customer service efficiency.

The Group upgrades the OA paperless approval system, upgraded the financial integration management system; and added an integrated fund management and control system, the BI information management and control systems which will be on authorization, business, inventory, funds, settlement, budget and analysis. There is also the implementation of a convenience and efficient multi-dimensional mobile terminal management process on multi-level such as the chairman, CEO, CFO, CTO, internal audit, high-level, middle-level and base-level. As at the date of this consolidated interim report, the system is upgraded to 80% of the total process.

At the same time, the management conducts self-examination of the internal control design and implementation, establishes internal and external training groups, undergoes training and upgrades with staff regularly and irregularly in terms of corporate culture, internal control, and professional skills.

The Group intends to create a strong and competitive new Huiyin through the optimization and re-engineering of various procedures!

Human resource management

In the first half of 2018, the Group also introduced management talents with advantages in business, capital and finance, continuously streamlining the job function, job requirements and KPI in human resources. As at 30 June 2018, the Group had 955 employees. In order to increase the capabilities of its employees, and enhance their comprehensive skills, the Group organized more than 20 different themed training sessions, including employee induction training, product knowledge, sales skills, leadership skills and corporate culture, to fully cater for the needs of different levels of employees. The total number of employees involved in the training is above 800.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue was approximately RMB568.1 million, representing a decrease of 16.7% from approximately RMB681.9 million for the same period in 2017.

Turnover of the Group comprises revenues by operation as follows:

	Six months ended 30June			
	2018 RMB'000		2017 RMB'000	
Sales from traditional business	**469,742**	**82.7%**	524,997	77.0%
New retail business	**79,229**	**14.0%**	153,237	22.5%
Rendering of services	**19,100**	**3.3%**	3,628	0.5%
Total revenue	**568,071**	**100.0%**	681,862	100.0%

Cost of sales

Cost of sales decreased by approximately 7.0% from RMB571.6 million for the six months ended 30 June 2017 to RMB531.8 million for the six months ended 30 June 2018, primarily due to a decrease in in sales volume.

Gross profit

The gross profit decreased by approximately 67.0% from RMB110.2 million for the six months ended 30 June 2017 to RMB36.3 million for the six months ended 30 June 2018.

Gross profit margin of the Group by operation is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Traditional business	**7.2%**	18.5%
New retail business	**4.4%**	8.3%
Maintenance and installation services	**-6.7%**	18.3%
Total revenue	**6.4%**	16.2%

During the reporting period, the gross profit margin of the traditional business decreased, which was primarily due to intensify of the competition in the home appliance consumer market.

Other income

During the reporting period, the Group recorded other income amounted to approximately RMB9.0 million, representing a decrease by approximately 48.9% from approximately RMB17.6 million for the same period in 2017, which is mainly due to the decrease in other income from ancillary services caused by the decrease in the sales volume.

Other losses

During the reporting period, the Group recorded other losses of approximately RMB0.6 million (for the same period in 2017: approximately RMB0.05 million).

Selling and marketing expenses

During the reporting period, the Group's total selling and marketing expenses amounted to approximately RMB75.7 million, representing a decrease from approximately RMB89.3 million for the same period in 2017, which was mainly due to the decrease in sales volume.

The following table sets out a summary for selling and marketing expenses as a percentage of total revenue:

	Six months ended June 30	
	2018	2017
Employee benefit expenses	**4.86%**	4.70%
Service charges	**0.17%**	0.17%
Operating lease expenses in respect of buildings and warehouses	**2.69%**	2.55%
Promotion and advertising expenses	**0.88%**	1.80%
Depreciation and amortisation	**0.01%**	0.84%
Utilities and telephone expenses	**0.77%**	0.51%
Transportation expenses	**0.72%**	0.54%
Travelling expenses	**0.13%**	0.10%
Others	**3.11%**	1.89%
Total selling and marketing expenses	**13.32%**	13.10%

Administrative expenses

During the reporting period, the Group's total administrative credit amounted to approximately RMB56.7 million, while expenses of approximately RMB9.5 million for the same period of 2017, which was mainly due to the reversal of provision for impairment on prepayment to suppliers of RMB40.7 million before 30 June 2017, and there was no such occurrence for the six months ended 30 June 2018.

The following table sets out a summary for administrative expenses:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses	**15,089**	16,155
Operating lease expenses in respect of buildings	**–**	614
Utilities and telephone expenses	**2,401**	723
Travelling expenses	**1,045**	1,677
Auditor's remuneration	**6,609**	1,763
Consulting expenses	**15**	625
Amortization and depreciation	**8,304**	4,819
(Reversal)/accrual of provision for impairment on prepayment to and rebate receivable from suppliers	**–**	(40,743)
Others	**23,246**	4,886
Total administrative expenses	**56,709**	(9,481)

The Group enters into agreement 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 settlement record and the future purchase plan of the Group from these suppliers. The provision for impairment on receivables was mainly due to making of certain provision for advance payment to and rebates receivable from suppliers after taking into account of the financial position of upstream companies in the industry and collectability of the receivables.

Operating profit/(loss)

For the six months ended 30 June 2018, the operating loss was approximately RMB87.7 million and the operating profit for the same period in 2017 was approximately RMB47.9 million.

Finance costs – net

During the reporting period, the Group's net finance costs was approximately RMB2.8 million, representing a decrease by 82.6% from approximately RMB16.2 million of net finance costs for the six months ended 31 December 2017, mainly due to the significant decrease in bank borrowings.

Share of loss of a joint venture

On 22 January 2017, Yangzhou Huiyin Technology Group Co., Ltd. (揚州滙銀科技集團有限公司) ("Yangzhou Huiyin"), an wholly-owned subsidiary of the Group, together with Jinjia Asset Management Co., 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. (江蘇滙晟供應鏈管理有限公司) ("Huisheng"), accounting for 55% of the equity interest.

The registered capital of Huisheng is RMB50,000,000, of which Yangzhou Huiyin has contributed a total of RMB27,500,000 in cash in proportion in the year ended 31 December 2017. The main business of Huisheng is supply chain management services.

During the period from 22 January 2017 to 31 December 2017, Huisheng has a net loss of RMB60,738,000 and the Group recognized share of net loss of Huisheng of RMB27,500,000 which reduced its investment to zero. As a result, the loss of Huisheng was no longer shared starting from 30 June 2018.

Share of loss of an associate company

The Group has the following associated companies:

(i) As the business operations in Taixing Shengshi Huazhang Electronics Sales Co., Ltd. (泰興市盛世華章電器銷售有限公司) ("Huazhang") 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 charge of RMB812,000 to fully provide for its investment exposure in Huazhang on 31 December 2017. As a result, there was no share of the loss of the associate company, Huazhang as at 30 June 2018.

(ii) On 5 December 2016, Yangzhou Huiyin together with a third-party company 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 has agreed to subscribe for 49% of the equity interest. The Group has not contributed any capital into Ruihu as at 30 June 2018. As the operation of Ruihu is inactive for the year ended 30 June 2018, the Group's share of Ruihu's result for the year was immaterial.

Profit/(Loss) before income tax

During the reporting period, the loss before income tax was approximately RMB91.4 million, while there was profit before tax of approximately RMB30.1 million for the same period of 2017, mainly due to the decrease in the sales volume for the six months ended 30 June 2018 comparing to the same period of 2017, and the reversal of provision for impairment on prepayments to suppliers of RMB40.7 million before 30 June 2017.

Income tax

During the reporting period, the Group's income tax expense was approximately RMB0.3 million, representing 0.4% of the loss before income tax, while there was income tax expense of approximately RMB14.1 million, representing 46.8% of the profit before income tax for the same period of 2017.

Profit/(Loss) attributable to equity holders of the Company

During the reporting period, the loss attributable to equity holders of the Group was approximately RMB87.2 million, while there was profit attributable to equity holders of approximately RMB22.4 million for the same period of 2017.

Cash and cash equivalents

As at 30 June 2018, the Group's cash and cash equivalents were approximately RMB112.0 million, representing an increase of 98.2% from approximately RMB56.5 million as at 31 December 2017, mainly due to the financial support of our substantial shareholder, Noble Trade International and the issue of Shares.

Inventories

As at 30 June 2018, the Group's net inventories amounted to approximately RMB226.4 million, representing a decrease of 12.2% from approximately RMB258.0 million as at 31 December 2017, mainly due to the decrease in the sales volume.

Prepayments, deposits and other receivables

As at 30 June 2018, prepayments, deposits and other receivables of the Group amounted to approximately RMB138.4 million, representing a decrease of 16.4% from approximately RMB165.6 million as at 31 December 2017, which was mainly due to the decrease of prepayments to the supplier.

Trade receivables and bills receivables

As at 30 June 2018, trade receivables and bills receivables of the Group amounted to approximately RMB44.9 million, representing an increase of 12.8% from approximately RMB39.8 million as at 31 December 2017, which was mainly due to the increase of bills receivables.

Trade payables and bills payables

As at 30 June 2018, trade payables and bills payables of the Group amounted to approximately RMB302.5 million, representing a decrease of 55.8% from approximately RMB683.7 million as at 31 December 2017, which was mainly due to the decrease of bills payable.

Gearing ratio and the basis of calculation

As at 30 June 2018, gearing ratio of the Group was 108.0%, representing a decrease from 116.7% as at 31 December 2017. The gearing ratio is equal to total borrowings divided by the sum of total equity and total borrowings.

Capital expenditure

During the reporting period, capital expenditure of the Group amounted to approximately RMB1.8 million, representing a significant decrease from approximately RMB26.1 million for the same period in 2017, which is mainly due to the decrease in foreign investment.

Fund raising activities

On 3 January 2018, the Company entered into five subscription agreements with five subscribers, (namely Mr Yu Chao, Ms Liu Zhaojie, Mr Zhang Shunli, Ms Li Min and Mr Sun Xuming) respectively, for subscription of an aggregate of 480,000,000 subscription shares of the Company at the subscription price of HK$0.5 per subscription share (the "Subscription").

The Board issued a circular on 17 January 2018 and received a special mandate from the shareholders of the Company at the EGM held on 1 February 2018 for the Subscription. Regarding to this, the Subscription was completed on 6 February 2018 in accordance with the terms and conditions of each subscription agreement. an aggregate of 480,000,000 subscription shares have been successfully issued and allotted to each subscriber at the subscription price of HK$0.5 per subscription share. The net proceeds from the Subscription amount to approximately HK$239,200,000 and will be used for (1) repayment of outstanding bank borrowings and payment of payables and (2) for the general working capital of the Company.

For details, please refer to the announcements of the Company dated 3 January 2018 and 6 February 2018.

Cash flows

During the reporting period, net cash outflow from operating activities of the Group amounted to approximately RMB306.8 million, as compared to RMB132.5 million for the same period of 2017. The higher net cash outflow was mainly due to the decrease in the size of operation and the decrease of gross profit margin.

Net cash outflow from investing activities amounted to approximately RMB1.8 million, while there was net cash outflow from investing activities amounted to approximately RMB38.3 million for the same period in 2017, which was mainly due to the decrease in investing activities.

Net cash inflow from financing activities amounted to approximately RMB364.1 million, as compared to approximately RMB63.5 million for the same period in 2017, which was mainly due to the increase of proceeds from subscription of new shares and advance from third parties.

Liquidity and financial resources

During the reporting period, the Group's working capital, capital expenditure and cash for investment were funded from cash on hand, bank borrowings and proceeds from issue of ordinary shares. As at 30 June 2018, the interest-bearing borrowings of the Group amounted to RMB34.5million, representing a significant decrease from RMB131.3 million as at 31 December 2017.

Pledging of assets

As at 30 June 2018, the Group's pledged bank deposits amounted to RMB116.4 million. Certain land use rights, buildings and investment properties with a total net book value of RMB133.0 million had been pledged.

Contingent liabilities

As at 30 June 2018, the Group had no contingent liability which has not been properly provided for except for certain unfounded legal claims which the Group does not expect to incur any significant loss.

Foreign currencies and treasury policy

All the Group's income and the majority of its expenses were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group has no 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.

EMPLOYMENT AND REMUNERATION POLICY

The Group adopts remuneration policies similar to our peers in the industry. The remuneration payable to our staff is fixed by reference to the prevailing market rates in the region. Our management receive a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments. The remuneration of our other employees comprises basic salary and an attractive sum of monthly performance bonuses. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, our Group participates in different social welfare plans for our employees.

HUMAN RESOURCES

As at 30 June 2018, the Group had 955 employees, increased by 4.9% from 910 at the end of 2017.

OUTLOOK

In the second half of 2018, challenges will remain for the global economy with the domestic economy also facing the downward pressure. Retail business will continue to face significant operational pressures and the consumer market will be in the shift of growth mode and structural integration.

In terms of the Group's new retail cross-border commodity business, even though it has opened dozens of stores with 3-year of layout and settlement, after in-depth streamlining of the Group, these stores are all capital-driven in the money-leaking mode and there are too much efforts and economic resources invested in for expanding and promoting the market and attracting talents in the past few years. There is uncertainty in terms of short-term losses, profitability expectations, sustainability and prospect. Thus, the Group's principal business strategy for this business sector will be to reduce the loss.

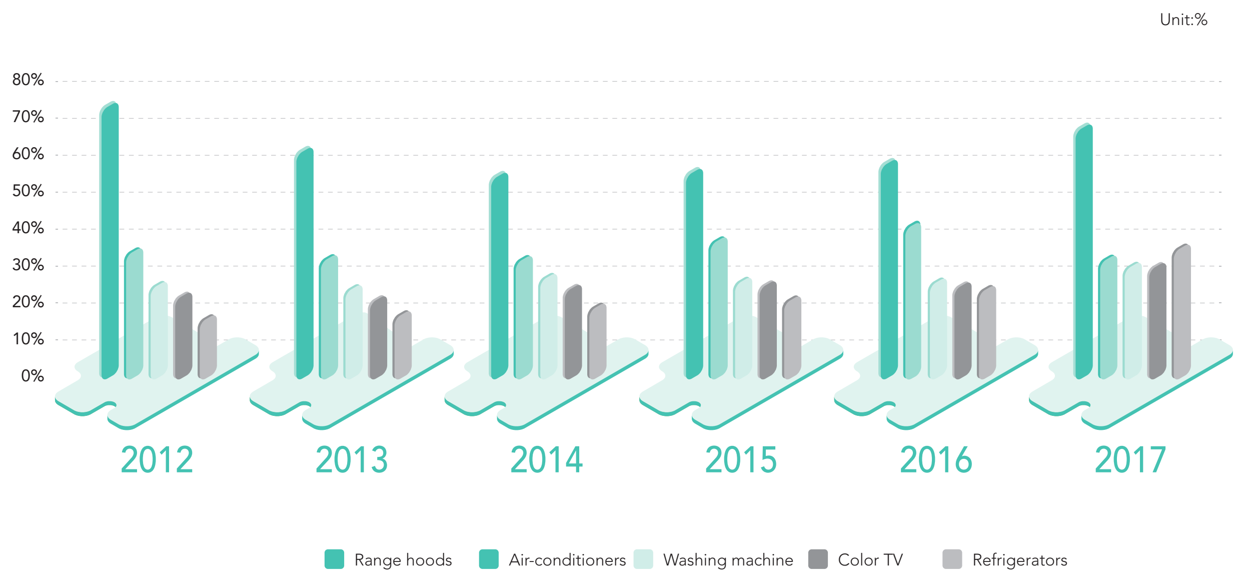
In terms of the traditional home appliance retail business, summarizing the analysis done on the changes in the home appliance market in the past decade, challenge and opportunity co-exist in the home appliance industry. There is increase in the standard of household income, rise in the new middle class and the obvious demand for old house renovation as well as significant increase in the demand for replacement and repurchase of home appliances, mainly due to the following factors:

1. The dependence of the home appliance industry on the real estate industry is significantly weakened

Even though the current domestic real estate is strictly controlled, the impact on the home appliance industry is not high. From the perspective of real estate business structure, the proportion of home appliances sales driven by sales of first-hand real estate tends to decline while that of the second-hand real estate tends to rise. As a whole, except for the high dependence rate of range hoods (about 70%), the figure is under 30% for refrigerators/air-conditioners/washing machine/color TV.

As shown in the diagram below:

Dependence of the home appliance industry on the real estate industry is not high



2. The National Policy of Home Appliances Going to the Countryside from 2007 entered the renewal cycle

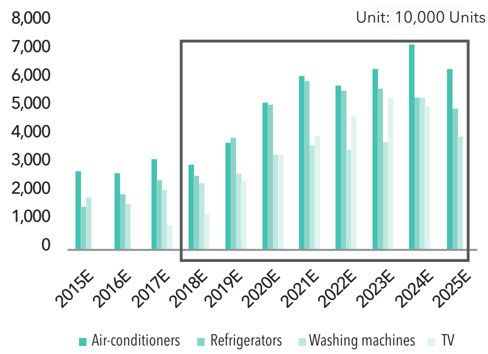
According to the statistics of the Ministry of Commerce of China, the sales volume of home appliances under the Policy of Home Appliances Going to the Countryside from 2008 to 2012 was about 298 million units, and the sales amount was RMB720.4 billion. Under the 10-year replacement cycle of large household appliances (such as color TV/washing machine/refrigerator etc), it is about to enter the renewal cycle.

As shown in the diagrams below:

Table: The impact on home appliances after the launch of the subsidy policies

Categories	Policy of Home Appliances Going to the Countryside	Trade in policy	Project of Energy-saving Products for air-conditioners	Beijing's subsidy for energy saving
Sales volume (10,000 units)	26,200	9,254	4,131	102
Sales amount (RMB'000 million)	6,229	3,420	NA	41
Subsidy amount (RMB'000 million)	721	300	100	3
Subsidy amount per unit	275	324	242	282

Renewal demand for large home appliances gradually increase



3. The rural incremental market is broad with the third- and fourth-tier and below cities becoming major opportunities

In terms of the gap between urban and rural areas in China, the refrigerator/washing machine/color TV has currently been popularized, entering the stage with focus in renewal of stock. In the process of urbanization, air conditioners and kitchen appliances have the lowest holding capacity and are in the growth stage with great growth potential. There is still room for growth in refrigerators and washing machines. The vast rural areas of China are located in the third- and fourth-tier cities. These cities are also the main areas for the increase in future urbanization rate announced and promoted by the state.

As of December 2017, the population in the first- and second-tier cities was 363 million while the population in third--tier below cities exceeded 1 billion. With the characteristics of large population base, fast income growth, high marginal propensity to consume and low awareness, along with consumption power revealed by the consumers from third- and fourth-tier and below cities, this group of 1 billion people will be boosted to become the main force in the increasing consumer dividends of the home appliance industry. The Group has always been in the consumer market in the third- and fourth-tier and below cities, which form an advantage for the brand!

Based on the above analysis, the Group proposes four directions for the current market condition, consumption structure, consumer demand, consumption concept and consumption channel: 1. change the business model; 2. change the growth mode; 3. enhance the innovation capacity; and 4. promote digital transformation.

With the development and changes in consumer demand and the evolution of C2C,C2B and B2B into C2M, the Group intends to change the existing business model through intelligent operation, creating a platform that cooperates with all suppliers, fully realizing the trade and communication in the supply chain that does not require the face-to-face interaction with the supplier but mobile phone interaction. It will reduce cost, increase the efficiency, enhance user experience, strengthen the Group's core business sector in third- and fourth-tier and below cities, as well as expanding the scale of business and realizing operational capabilities under the premise of efficiency-driven improvement. In the foreseeable future, customers can directly customize products such as washing machines/refrigerators through mobile phones and other communication devices, and the entire process can be viewed from mobile phone, such as checking the date for the arrival of the package delivery after online shopping. Customers can also view the details such as the manufacturing date, delivery date and arrival date of the product.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

SHARE OPTION SCHEME

On 5 March 2010, the Group adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Share Option Scheme include, without limitation, Directors and employees of the Company, or any of its subsidiaries or associated companies.

During the six months ended 30 June 2018, no share options have been granted or exercised under the Share Option Scheme, but 2,300,000 share options 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	**As at 1 January 2018**	**Granted during the six month period**	**Exercised during the six month period**	**Cancelled/ Lapsed during the six month period**	**As at 30 June 2018**	**Approximate percentage of interest in the Company**
Directors and their associates						
Cao Kuanping (Note)						
Executive Director (Suspended)	1,000,000	–	–	–	1,000,000	0.04%
Tam Chun Chung						
Independent Non-Executive Director	500,000	–	–	–	500,000	0.02%
Mao Shanzhen						
(the spouse of Cao Kuanping)	1,000,000	–	–	–	1,000,000	0.04%
Others						
Employees	192,080,000	–	–	2,300,000	189,780,000	7.48%
Total	194,580,000	–	–	2,300,000	192,280,000	

Note:

Mr. Cao Kuanping has served as the Chairman of the Board, Chief Executive Officer and Executive Director of the Company since 5 February 2008, and has resigned as Chairman of the Board on 29 December 2017, suspended as Chief Executive Officer and Executive Director on 27 April 2018, resigned as Chief Executive Officer on 15 June 2018 and resigned as Executive Director on 9 September 2018.

The 100,000,000 share options granted on 14 May 2015 under the Share Option Scheme may only become exercisable in accordance with the following vesting schedules:

(i) 50,000,000 share options became exercisable at any time during the period commencing on 14 August 2015 and ending on 13 May 2020;

(ii) the remaining 50,000,000 share options became exercisable at any time during the period commencing on 14 May 2016 and ending on 13 May 2020.

The subscription price payable upon the exercise of the 100,000,000 share options is fixed at HK$1.69. Details of the valuation of the share options are set out in note 17(b)(i) to the unaudited condensed consolidated interim financial statements of this interim report.

The 145,680,000 share options granted on 22 December 2015 under the Share Option Scheme became exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025.

The subscription price payable upon the exercise of the 145,680,000 share options is fixed at HK$0.95. Details of the valuation of the share options are set out in note 17(b)(ii) to the unaudited condensed consolidated interim financial statements of this interim report.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, 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 had to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests 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 in that section, or under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange, 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	569,100,000 Shares (L)	22.42%
Cao Kuanping	The Company	Interest of controlled corporation	239,103,625 Shares (L)	9.42%
		Beneficial owner	1,000,000 underlying Shares (L)	0.04%
		Spouse interest	1,000,000 underlying Shares (L)	0.04%
Tam Chun Chung	The Company	Beneficial owner	500,000 underlying Shares (L)	0.02%

(L) denotes long position.

Note:

(1) The 569,100,000 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% indirectly wholly-owned by Chongqing Saint Information Technology Co., Ltd. which was indirectly owned by Mr. Yuan Li, an Executive Director as to 40.21%.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 June 2018, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were 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	569,100,000	22.42%
Noble Trade International Holdings Limited* (聖行國際集團有限公司) (Note 1)	The Company	Beneficial owner	569,100,000	22.42%
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	569,100,000	22.42%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 2)	The Company	Interest of controlled corporation	261,900,000	10.32%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 2)	The Company	Interest of controlled corporation	261,900,000	10.32%
BOCE (Hong Kong) Co., Limited (Note 2)	The Company	Beneficial owner	261,900,000	10.32%
China Ruike Investment & Development Co., Ltd.	The Company	Beneficial owner	239,103,625	9.42%
Mao Shanzhen	The Company	Beneficial owner	1,000,000 Underlying Shares (L) (Note 3)	0.04%
		Spouse Interest	240,103,625 (Note 3)	9.46%

(L) denotes long position.

Note:

(1) The 569,100,000 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% indirectly wholly-owned by Chongqing Saint Information Technology Co., Ltd. which was indirectly owned by Mr. Yuan Li, an Executive Director as to 40.21%.

(2) The 261,900,000 shares were held by BOCE (Hong Kong) Co., Limited ("BOCE") as beneficial owner. BOCE was wholly-owned by Baoshi (Tianjin) E-commerce Company Limited. Baoshi (Tianjin) E-commerce Company Limited was 99% indirectly owned by Tianjin Bohai Commodity Exchange Corporation.

(3) These underlying shares represent the 1,000,000 share options held by Ms. Mao Shanzhen granted by the Company under the Share Option Scheme on 14 May 2015. The 240,103,625 shares represent the interests held by Mr. Cao Kuanping, spouse of Ms. Mao Shanzhen, whose interests are disclosed in the above section headed "Directors' Interests in Shares, Underlying Shares and Debentures".

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period from 1 January 2018 up to the date of this interim report, no Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As set out in note 32 to the unaudited condensed consolidated interim financial statements in this interim report, during the six months ended 30 June 2018, the Group had rental expenses payable to Mr. Cao Kuanping amounting to RMB1,872,000. As disclosed in the announcement dated 20 April 2016 published by the Company, on 20 April 2016, Mr. Cao Kuanping as landlord entered into a tenancy agreement with Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd. as tenant (the "Jiangsu Huiyin Tenancy Agreement") and a tenancy agreement with Yangzhou Huide Electronics Distribution Co., Ltd. as tenant (the "Huide Tenancy Agreement", together with the Jiangsu Huiyin Tenancy Agreement, the "Tenancy Agreements").

Mr. Cao, who is an executive Director (suspended) of the Company, is a connected person of the Group, and accordingly, the Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios on an annual basis calculated with reference to the aggregate annual rents payable by the Group to Mr. Cao are more than 0.1% but less than 5% and the aggregate annual rents payable are more than HK$3,000,000, under Rule 14A.76 of the Listing Rules, the Tenancy Agreements are subject to the announcement requirements set out in Rules 14A.35 and 14A.68, the annual review requirements set out in Rules 14A.49, 14A.55 to 14A.59, 14A.71 and 14A.72 and the requirements set out in Rules 14A.34 and 14A.50 to 14A.54 of the Listing Rules, and exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to enhancing the corporate governance of the Group, and the Board reviews and updates all necessary measures in order to promote good corporate governance.

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the period from 1 January 2018 to 30 June 2018.

The Company has also established the written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

AUDIT COMMITTEE

During the reporting period, the Audit Committee of the Company comprises three members, all of whom are independent non-executive Directors, namely Mr. Tam Chun Chung, Mr. Zhao Jinyong and Mr. Li Michael Hankin. Mr. Tam Chun Chung, who possesses professional accounting qualifications, is the Chairman of the Audit Committee. As at the reporting date, Mr. Li Michael Hankin has resigned due to personal reason on 30 June 2018 while Mr. Chen Rui was appointed as an Independent Non-executive Director and a member in the Audit Committee on 4 July 2018 . Mr. Tam Chan Chung resigned on 30 January 2019. Mr. Zhao Jinyong was appointed the Chairman of the Audit Committee on 30 January, 2019. From 30 June 2018 to 3 July 2018 and from 30 January to 18 February 2019, the number of Independent Non-executive Directors of the Board was two, which is less than the minimum number required by Rule 3.10(1) of the Listing Rules and the number of member of the Audit Committee of the Company was also two, which is less than the minimum number required by Rule 3.21 of the Listing Rules. The Company has appointed Mr. Fung Tak Choi as an Independent Non-Executive Director and a member of the Audit Committee on 19 February 2019. As of the date of this report, the composition of the Audit Committee were complied with related requirements of the Listing Rules. The Audit Committee has adopted the terms of reference in line with the Code issued by the Stock Exchange. The principal 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 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 unaudited interim report for the six months ended 30 June 2018.

OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained a sufficient public float throughout the period from 1 January 2018 to 30 June 2018, and up to the date of this interim report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2018.

EVENTS AFTER REPORTING PERIOD

As stated in the announcement of the Company dated 10 December 2018, the Group has sold all the equity interest held by Jiangsu Electronic Commerce, a subsidiary of the Group, in Nanjing Lehu and its subsidiaries ("Nanjing Lehu Group") at a consideration of RMB1, so as to reduce loss and concentrate on our principal business. The related gain and loss will be recognised in the consolidated financial statement of the Group for the year ended 31 December 2018.

As stated in the announcements of the Company dated 3 September 2018 and 28 January 2019, regarding to the prepayment issue related to the two suppliers as proposed by the Group's external auditing agencies on 23 March 2018, the Group has form an Independent Investigation Committee on 2 April 2018. On 9 April 2018, KPMG Advisory (China) Limited has been engaged by the Independent Investigation Committee as the independent internal control consultant to undergo a review on the internal control of the two other important suppliers and the Group's procurement and payment loops. Review report has been released with summary of the relevant internal control review report. Meanwhile, the Group has taken necessary legal actions and gradually optimized the necessary measures in setting up a comprehensive internal control system and process so as to prevent similar incidents from happening again.

On behalf of the Board

Yuan Li
Chairman

Hong Kong, 20 February 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	**26,294**	27,740
Property, plant and equipment	7	**179,580**	183,377
Investment properties	7	**5,235**	5,235
Intangible assets	8	**785**	851
Investment in joint ventures	9	**–**	–
Investment in associates	9	**–**	–
Deferred income tax assets	10	**–**	–
		211,894	217,203
Current assets			
Inventories	11	**226,383**	257,977
Trade and bills receivables	12	**44,923**	39,842
Prepayments, deposits and other receivables	13	**138,395**	165,607
Restricted bank deposits	14	**116,424**	278,350
Cash and cash equivalents	15	**111,989**	56,496
		638,114	798,272
Total assets		**850,008**	1,015,475
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**16,766**	13,739
Reserves		**(108,654)**	(212,033)
		(91,888)	(198,294)
Non-controlling interests in equity		**24,213**	28,756
Total equity		**(67,675)**	(169,538)

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**7,158**	7,062
Deferred income tax liabilities	10	**–**	–
		7,158	7,062
Current liabilities			
Trade and bills payables	17	**302,454**	683,732
Accruals and other payables	18	**519,339**	308,645
Borrowings	19	**34,500**	131,289
Current income tax liabilities		**672**	725
Other current liabilities	20	**53,560**	53,560
		910,525	1,177,951
Total liabilities		**917,683**	1,185,013
Total equity and liabilities		**850,008**	1,015,475

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Revenue	21	**568,071**	681,862
Cost of sales	24	**(531,775)**	(571,632)
Gross profit		**36,296**	110,230
Other income	22	**8,994**	17,600
Other losses– net	23	**(632)**	(49)
Selling and marketing expenses	24	**(75,679)**	(89,325)
Administrative expenses	24	**(56,709)**	9,481
Operating (loss)/profit		**(87,730)**	47,937
Finance income	25	**590**	4,168
Finance costs	25	**(3,405)**	(20,358)
Finance costs – net	25	**(2,815)**	(16,190)
Share of loss of a joint venture	9	**(806)**	(1,603)
Share of loss of associates	9	**–**	(11)
(Loss)/profit before income tax		**(91,351)**	30,133
Income tax expense	26	**(346)**	(14,086)
(Loss)/profit for the period		**(91,697)**	16,047
Attributable to:			
– Equity holders of the Company		**(87,154)**	22,436
– Non-controlling interests		**(4,543)**	(6,389)
		(91,697)	16,047
(Loss)/earning per share for profit attributable to equity holders of the Company (expressed in RMB cents per share)			
– Basic	27	**(3.43)**	1.31
– Diluted	27	**(3.43)**	1.10
Dividends	28	**–**	–

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(Loss)/profit for the period	**(91,697)**	16,047
Other comprehensive income or loss	**–**	–
Total comprehensive (loss)/profit for the period	**(91,697)**	16,047
Total comprehensive profit/(loss) for the period attributable to:		
– Equity holders of the Company	**(87,154)**	22,436
– Non-controlling interests	**(4,543)**	(6,389)
	(91,697)	16,047

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Share capital RMB'000 (Note 16)	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Accumulated profit/(loss) RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		11,462	1,380,409	28,007	82,998	(1,188,562)	314,314	22,436	336,750
Profit/total comprehensive profit for the six months ended 30 June 2017		–	–	–	–	22,436	22,436	(6,389)	16,047
Capital contribution from a non–controlling interest		–	–	–	–	–	–	53,000	53,000
Return of capital to non–controlling interests for liquidation of a subsidiary		–	–	–	(206)	–	(206)	(1,038)	(1,244)
Dividend paid by a subsidiary to non–controlling interests		–	–	–	–	–	–	(1,050)	(1,050)
Total transactions with owners, recognised directly in equity		–	–	–	(206)	–	(206)	50,912	50,706
Balance at 30 June 2017		11,462	1,380,409	28,007	82,792	(1,166,126)	336,544	66,959	403,503
Balance at 1 January 2018		**13,739**	**1,613,731**	**28,007**	**55,395**	**(1,909,166)**	**(198,294)**	**28,756**	**(169,538)**
Loss/total comprehensive loss for the six months ended 30 June 2018		**–**	**–**	**–**	**–**	**(87,154)**	**(87,154)**	**(4,543)**	**(91,697)**
Capital contribution from a non–controlling interest	16	**3,027**	**190,533**	**–**	**–**	**–**	**193,560**	**–**	**193,560**
Balance at 30 June 2018		**16,766**	**1,804,264**	**28,007**	**55,395**	**(1,996,320)**	**(91,888)**	**24,213**	**(67,675)**

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 RMB'000
Cash flows from operating activities:			
Cash used in operations		**(301,970)**	(115,486)
Interest paid		**(4,435)**	(13,896)
Income tax paid		**(345)**	(3,123)
Net cash used in operating activities		**(306,750)**	(132,505)
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	**(1,504)**	(7,720)
Purchase of intangible assets	8	**(302)**	–
Proceeds from disposal of property, plant and equipment	7	**(633)**	44
Capital contribution to a joint venture	9	**–**	(17,700)
Increase in investment in available for sale financial assets		**–**	(18,000)
Interest received		**612**	5,071
Net cash used in investing activities		**(1,827)**	(38,305)
Cash flows from financing activities:			
Proceeds from bank borrowings	19	**–**	95,000
Proceeds from advance from a related party	19	**–**	100,000
Proceeds from advance from third parties	19	**252,000**	–
Repayments of bank borrowings	19	**(96,877)**	(94,763)
Repayments of advance from third parties	19	**(5,000)**	(87,758)
Net decrease in restricted cash relating to financing activities	14	**20,390**	360
Capital contribution from non-controlling interests		**193,557**	53,000
Return of capital to non-controlling interests upon liquidation of a subsidiary		**–**	(1,244)
Dividends paid by a subsidiary to non-controlling interests		**–**	(1,050)
Net cash generated from financing activities		**364,070**	63,545
Increase/(decrease) in cash and cash equivalents		**55,493**	(107,265)
Cash and cash equivalents at beginning of the period	15	**56,496**	159,118
Exchange differences on cash and cash equivalents		**–**	(86)
Cash and cash equivalents at end of the period	15	**111,989**	51,767

The notes on pages 30 to 64 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company changed its name from China Yinrui Investment Holding Co., Ltd. to Huiyin Household Appliances (Holdings) Co., Ltd. on 8 December 2009, and then changed its name to Huiyin Smart Community Co., Ltd. on 16 July 2015.

The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are mainly engaged in the retail of household appliance, import merchandise and provision of maintenance and installation services for household appliances in the People's Republic of China (the "PRC").

The shares of the Company ("Shares") were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 25 March 2010. On 26 March 2018, trading of the Shares of the Company were suspended on the Stock Exchange.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2018 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

These condensed consolidated interim financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated and were approved by the Company's board of directors on 20 February 2019.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION *(continued)*

2.1 Going Concern

The Group incurred a net loss attributable to the equity holders of the Company of RMB87,153,610 and had a net operating cash outflow of RMB306,749,896 for the year ended 30 June 2018. As at the same date, the Group's current liabilities exceeded its current assets by RMB272,410,991. In view of these conditions, the Group has undertaken a number of measures to improve its liquidity and insolvency.

(i) From January to March 2018, the Group successfully raised RMB200 million new funds through issuance of new shares of the Company to several individuals;

(ii) Between the period of January 2018 and January 2019, the Group obtained borrowings totaled approximately RMB441 million from certain third parties and related parties for a period of two years, which will be due for repayment in 2020;

(iii) Up to the date of approval of this condensed consolidated interim financial statement, the Group has repaid bank borrowings of RMB93,289,000, while the remaining bank borrowings amounted to RMB30 million and RMB8 million have been renewed for one year with scheduled repayment dates in August 2019 and October 2019 respectively;

(iv) In January 2019, the Group secured a financial support arrangement from 重慶聖商信息科技有限公司 ("重慶聖商"), the parent company of the single largest shareholder of the Company, under which 重慶聖商 has undertaken that it would provide working capital loans for a maximum amount of RMB200 million to the Group as and when necessary to meet its working capital and other needs.

Management has prepared a cashflow projection of the Group that covered a twelve months period from the date of these condensed consolidated interim financial statements, fully taking into account of the reasonably possible adjustments to the scope and size of its business operations, which shows that the Group has adequate resources to continue in normal operation. The Group therefore adopts the going concern basis in preparing these condensed consolidated interim financial statements. Further details of the borrowings of the Group are set out in note 19.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new and amendments to HKFRSs effective on 1 January 2018.

(a) New amendments and interpretation of HKFRSs mandatory for the financial year beginning on 1 January 2018 that are relevant to the Group's operations:

- HKFRS 9 "*Financial instruments*"
- HKFRS 15 "*Revenue from Contracts with Customers*"

The adoption of the above new standard, amendments and improvements beginning on 1 January 2018 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2018.

(b) The following are new standards and amendments to HKFRSs that have been issued and are relevant to the Group's businesses but are not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

- Amendments to HKFRS 10 and HKAS 28 "Regarding sale or contribution of assets between an investor and its associate or joint venture" (effective for annual periods to be announced)
- HKFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2018)
- HKFRS 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2018)

The Group has not early adopted any new accounting and financial reporting standards and amendments to existing standards which have been issued but are not yet effective for the six months ended 30 June 2018. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

4 CRITICAL ACCOUNTING ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

There have been no changes in the risk management department or in any risk management policies since 31 December 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.2 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of fund through facilities from commercial banks, substantial shareholders and third parties under their influence and the ability to close out market positions.

The table below analyses the Group's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 3 months RMB'000	Between 3 to 6 months RMB'000	Between 6 to 12 months RMB'000	Between 1 to 2 years RMB'000	More than 2 years RMB'000
As at 30 June 2018					
Borrowings (Note 19)	**34,500**	–	–	–	–
Interest payments on borrowings (Note 19)	**147**	–	–	–	–
Trade and bills payables (Note 17)	**162,644**	**139,810**	–	–	–
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables and salary and welfare payables (Note 18)	**264,717**	–	–	–	–
	462,008	**139,810**	–	–	–
As at 31 December 2017					
Borrowings (Note 19)	42,790	54,000	34,500	–	8,359
Interest payments on borrowings (note 19)	2,425	1,822	1,306	473	1,589
Trade and bills payables (Note 17)	420,862	262,870	–	–	–
Accruals and other payables, excluding the advances from customers, value added tax and other tax payables, salary and welfare payables (Note 18)	63,737	75,000	64,200	–	–
	529,814	393,692	100,006	473	9,948

Note:

The interest payments on borrowings are calculated based on borrowings held as at 30 June 2018 and 31 December 2017 respectively without taking into account of future borrowings.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation

The different levels of valuation method for derivatives and other financial instruments carried at fair value are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at 30 June 2018, the Group does not have any derivative or other financial instruments which were measured at fair value.

5.4 Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates.

5.5 Fair values of financial assets and liabilities measured at amortised cost

As at 30 June 2018 and 31 December 2017, the fair values of all financial assets and liabilities approximate their carrying amounts.

5.6 Offsetting of financial assets and liabilities

There has been no offsetting of financial assets and liabilities as at 30 June 2018.

6 SEGMENT INFORMATION

The chief operating decision-maker ("CODM"), being the chairman and 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 based on the reports reviewed by the chairman and executive directors that are used to make strategic decisions.

Geographical segment is not presented as 100% of the Group's sales and business activities are conducted in the PRC. The principal operation of the Group is organised into two operating segments:

- Traditional business, including the results from sales of household appliances.
- New retail business, including the results from sales of import merchandise and general merchandise.

Other operations of the Group mainly comprise provision of maintenance and installation services to customers.

The unaudited segment results for the six months ended 30 June 2018 are as follows:

	Traditional business RMB'000	New retail RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	503,001	79,229	18,902	198	601,330
Inter-segment revenue	(33,259)	–	–	–	(33,259)
Revenue from external customers	469,742	79,229	18,902	198	568,071
Operating loss	(52,006)	(22,892)	(4,825)	(8,007)	(87,730)
Finance costs - net					(2,815)
Share of loss of a joint venture					(806)
Share of loss of associates					–
Loss before income tax					(91,351)
Income tax expense					(346)
Loss for the period					(91,697)
Other segment items are as follows:					
Capital expenditure	1,381	414	11	–	1,806
Depreciation charge	3,689	957	104	–	4,750
Amortisation charge	981	1,119	9	–	2,109

6 SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2017 are as follows:

	Traditional business RMB'000	New retail RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	600,503	153,237	3,628	–	757,368
Inter-segment revenue	(75,506)	–	–	–	(75,506)
Revenue from external customers	524,997	153,237	3,628	–	681,862
Operating profit/(loss)	94,660	(44,959)	(1,764)	–	47,937
Finance costs – net					(16,190)
Share of loss of a joint venture					(1,603)
Share of loss of associates					(11)
Profit before income tax					30,133
Income tax expense					(14,086)
Profit for the period					16,047
Other segment items are as follows:					
Capital expenditure	23,707	2,325	47	17,700	26,079
Depreciation charge	8,171	1,137	56	–	9,364
Amortisation charge	1,085	88	–	–	1,173

Unallocated mainly represented the expenses incurred by the Group, such as reversal of impairment for prepayment to an oversea supplier, certain key management compensation and exchange gains/(losses) arising from the bank deposits denominated in foreign currencies.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

6 SEGMENT INFORMATION *(continued)*

Unaudited segment assets and liabilities for the six months ended 30 June 2018 are as follows:

	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Group RMB'000
2018				
Segment assets	**442,624**	**108,614**	**14,791**	**566,029**
Unallocated assets				**283,979**
Total assets				**850,008**
Segment liabilities	**551,146**	**189,813**	**53,801**	**794,760**
Unallocated liabilities				**122,923**
Total liabilities				**917,683**

The audited segment assets and liabilities as at 31 December 2017 are as follows:

	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Group RMB'000
2017				
Segment assets	648,069	72,621	11,327	732,017
Unallocated assets				283,458
Total assets				1,015,475
Segment liabilities	878,073	63,067	10,459	951,599
Unallocated liabilities				233,414
Total liabilities				1,185,013

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash, and mainly exclude investment in a joint venture, deferred tax assets, restricted bank deposits pledged for bank borrowings , amount due from a third party for disposal of a subsidiary and corporate assets.

Segment liabilities comprise operating liabilities and exclude items such as deferred income tax liabilities, current income tax liabilities, borrowings and corporate liabilities.

7 CAPITAL EXPENDITURE OTHER THAN INTANGIBLE ASSETS

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2017			
Opening net book amount at 1 January 2017	45,857	225,737	5,405
Additions	–	8,379	–
Disposals	–	(50)	–
Amortisation and depreciation (Note 24)	(555)	(9,279)	(85)
Closing net book amount at 30 June 2017	45,302	224,787	5,320
Six months ended 30 June 2018			
Opening net book amount at 1 January 2018	**27,740**	**183,377**	**5,235**
Additions	**–**	**1,504**	**–**
Disposals	**–**	**(919)**	**–**
Amortisation and depreciation (Note 24)	**(1,446)**	**(4,382)**	**–**
Closing net book amount at 30 June 2018	**26,294**	**179,580**	**5,235**

All of the Group's land use rights are located in Mainland China and are held on leases between 40 to 50 years.

As at 30 June 2018, land use rights and buildings with a net book amount of RMB133,041,075 (31 December 2017: net book amount of RMB194,782,000) had been pledged as collateral for the Group's bank borrowings of RMB33,600,000 (31 December 2017: RMB97,600,000) (Note 19).

Investment properties are located in Mainland China on leases of between 10 to 50 years.

The Group chose the cost model to account for its investment properties and therefore the difference between the fair value and carrying amount of the investment properties and any changes in fair value are not accounted for in these interim financial statements.

Amortisation of the Group's land use rights as well as the depreciation of the investment properties have been charged to administrative expenses in the consolidated income statement. The depreciation of property, plant and equipment was charged to the selling expenses and administrative expenses.

8 INTANGIBLE ASSETS

	Goodwill RMB'000	Distribution agreement RMB'000	Non-compete agreement RMB'000	Computer software RMB'000	Total RMB'000
Six months ended 30 June 2017					
Opening net book amount at 1 January 2017	–	–	–	3,744	3,744
Additions	–	–	–	(43)	(43)
Amortisation (Note 24)	–	–	–	(618)	(618)
Closing net book amount at 30 June 2017	–	–	–	3,083	3,083
Six months ended 30 June 2018					
Opening net book amount at 1 January 2018	**–**	**–**	**–**	**851**	**851**
Disposal	**–**	**–**	**–**	**–**	**–**
Amortisation (Note 24)	**–**	**–**	**–**	**(66)**	**(66)**
Closing net book amount at 30 June 2018	–	–	–	**785**	**785**

The amortisation and impairment of intangible assets were included in administrative expenses.

9 INVESTMENT IN JOINT VENTURES AND INVESTMENT IN ASSOCIATES

INVESTMENT IN JOINT VENTURES

The Group has the following joint ventures as at 30 June 2018:

Name of entity	Place and date of incorporation	% of ownership interest	Measurement method
Jiangsu Huisheng Supply Chain Management Co., Ltd.	Nanjing Jiangsu, PRC 22 January 2017	55	Equity

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 of 31 December 2017, the Group recognised a share of net loss of Huisheng of RMB27,500,000 which reduced its investment to zero. After making inquiries of the Group's legal consultant, management of the Group considers that there are no material contingent liabilities relating to the Group's interest in Huisheng.

9 INVESTMENT IN JOINT VENTURES AND INVESTMENT IN ASSOCIATES *(continued)*

INVESTMENT IN ASSOCIATES

(i) Investment in Taixing 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- parties companies set up Taixing Shengshi Huazhang Electronics Sales Co., Ltd. (泰興盛世華章電器銷售有限公司) ("Huazhang") in Taixin, Jiangsu Province, the PRC.

Huazhang has a registered capital of RMB 5,000,000 of which Yangzhou Shengshi contributed RMB750,000 in cash, and the principal activities of Huazhang is household appliance trading. As Huazhang's business operations had become inactive since September 2017, the Group recognised an impairment charge of RMB812,000 as at 31 December 2017 to fully provide for its investment exposure in Huazhang. There are no material contingent liabilities relating to the Group's interest in Huazhang which should be recognised as at 30 June 2018.

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

On 5 December 2016, Yangzhou Huiyin together with a third- party company 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 has agreed to subscribe for 49% of the equity interest. The Group has not contributed any capital into Ruihu as at 30 June 2018. The investment commitments relating to the Group's interest in associate are presented in Note 29(b). As the operation of Ruihu is inactive as of 30 June 2018, the Group's share of Ruihu's results for the year was immaterial.

10 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The Group does not have deferred income tax assets and liabilities that are offset against each other and accordingly they are all stated at gross amounts. As at the balance sheet date, the analysis of deferred income tax assets and liabilities are as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At beginning of the period	–	11,275
Recognised in the consolidated income statement (Note 26)	–	(2,138)
At end of the period	–	9,137

10 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the period is as follows:

Deferred income tax assets

	Tax losses RMB'000	Accrued volume discounts to the distributors and franchisees RMB'000	Accrued expenses RMB'000	Unrealised profits elimination RMB'000	Provisions RMB'000	Total RMB'000
At 1 January 2017	5,390	–	3,196	2,862	38	11,486
Recognised in the consolidated income statement	5,390	–	3,196	2,862	38	11,486
At 31 December 2017	–	–	–	–	–	–
At 1 January 2018						
Reversal (Note)	–	–	–	–	–	–
At 30 June 2018	–	–	–	–	–	–

Note:

These deferred income tax assets were mostly related to provision for impairment of rebate receivables from suppliers, following the adjustment on the supplier rebate receivables resulting from the restructure of the Group's business, deferred tax assets of RMB11,486 were reversed at 31 December 2017.

Deferred income tax liabilities

	Withholding tax on unremitted earnings of PRC subsidiaries RMB'000
At 1 January 2018, 30 June 2018, 1 January 2017 and 31 December 2017	–

11 INVENTORIES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Merchandise held for resale	**249,609**	279,932
Provision for obsolescence	**(23,493)**	(22,231)
	226,116	257,701
Low value consumables	**267**	276
Total	**226,383**	257,977

As at 30 June 2018, merchandise held for resale of RMB15,000,000 had been pledged as collateral for the exposures of the Group's bank bills payables of RMB20,000,000 (Note 17).

12 TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables	**40,682**	38,151
Less: Provision for impairment	**(14,253)**	(14,253)
Trade receivables, net	**26,429**	23,898
Bills receivables	**18,494**	15,944
Trade and bills receivables, net	**44,923**	39,842

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

12 TRADE AND BILLS RECEIVABLES *(continued)*

The ageing analysis of trade receivables, before provision for impairment, as at the balance sheet date is as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
0 - 30 days	**7,306**	16,877
31 - 90 days	**3,847**	3,776
91 - 365 days	**28,072**	3,245
1 year - 2 years	**29**	12,332
2 years - 3 years	**4**	1,059
Over 3 years	**1,424**	862
Total	**40,682**	38,151

As at 30 June 2018, all trade and bills receivables were dominated in RMB, and their carrying amounts approximated their fair values. Also, the maximum exposures of the Group to credit risk from trade and bills receivables were the carrying value of trade and bills receivables mentioned above. The Group does not hold any collateral as security.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Prepayments to suppliers, net of provision	**74,027**	98,564
Prepaid rentals	**8,534**	8,805
Deposits	**2,157**	7,876
Other prepayments	**6,333**	3
Other receivables from third parties, net of provision		
– Value added tax recoverable	**31,657**	41,070
– Amount due from a third party for disposal of subsidiary	**–**	2,000
– Interests receivables from banks	**863**	886
– Amount paid on behalf of a supplier	**3,569**	2,482
– Staff advances	**1,162**	1,750
– Others	**10,093**	2,171
	138,395	165,607

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

As at 30 June 2018, no provision for impairment of rebate receivables from suppliers was recognised during the period (Note 24). Taking into account of the financial position and actual circumstances of the supplies (i.e. Suohai, Zhipu, Mei Zanying), a provision of RMB415,360,000 for impairment of prepayments had been recognised by the Group as at 31 December 2017. As at 30 June 2018 and 31 December 2017, balance of provision for rebate receivables from suppliers and impairment were RMB416,127,815.

As at 30 June 2018, no provision for impairment of other receivables was recognised during the period (Note 24). As at 30 June 2018 and 31 December 2017, balance of provision for impairment of other receivables was RMB1,590,194.

The prepayments, deposits and other receivables of the Group were mainly denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2018.

14 RESTRICTED BANK DEPOSITS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Restricted bank deposits	**116,424**	278,350

As at 30 June 2018, restricted bank deposits of RMB116,424,000 (31 December 2017: RMB257,960,000) had been pledged as collateral for the Group's bank acceptance bills of RMB129,593,000 (31 December 2017: RMB485,950,000) (Note 17).

All restricted bank deposits are denominated in RMB. As at 30 June 2018, the weighted average interest rate on restricted bank deposits was 1.98% per annum (31 December 2017: 2.17% per annum).

15 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Cash on hand		
– denominated in RMB	**150**	220
Cash at bank		
– denominated in RMB	**110,956**	55,781
– denominated in HK$	**167**	220
– denominated in US$	**716**	275
	111,989	56,496

As at the balance sheet date, the effective interest rate per annum was as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
RMB	**0.35%**	0.35%
HK$	**0.001%**	0.001%
US$	**0.001%**	0.001%

16 SHARE CAPITAL

Details of the share capital of the Company are as follows:

Authorised:

	Number of authorised shares
Six months ended 30 June 2017 and 30 June 2018	
At 1 January 2017, 30 June 2017, and 1 January 2018	4,000,000,000
Additions	–
At 30 June 2018	4,000,000,000

Issued and fully paid:

	Number of issued shares US$0.001 each	Equivalent nominal value of ordinary shares RMB'000
As at 31 December 2017		
At 31 December 2017	2,057,960,017	13,739
Six months ended 30 June 2018		
Issue of new shares (a)	480,000,000	3,027
At 30 June 2018	2,537,960,017	16,766

(a) Issue of new shares

On 6 February 2018, an aggregate of 480,000,000 ordinary shares of the Company had been successfully issued at the price of HK$ 0.50 per share. The gross proceeds amounted to approximately HK$239,200,000 (equivalent to RMB 200,000,000).

On 4 August 2017, an aggregate of 339,100,000 ordinary shares of the Company had been successfully issued at the price of HK$ 0.81 per share. The gross proceeds amounted to approximately HK$274,371,000 (equivalent to RMB 235,599,000).

16 SHARE CAPITAL *(continued)*

(b) Share Option Scheme

The share options currently applicable are as follows:

(i) Share options scheme on 14 May 2015

The Group approved and launched a share option scheme on 14 May 2015. Pursuant to the share option scheme, the then 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. Of which 50,000,000 shares shall vest on 14 August 2015, whilst the remaining shares shall vest on 14 May 2016. The exercise price is HK$1.69 per share.

Fair value of the options granted determined using the binomial tree model was HK$ 73,041,950. The share options was divided into two parts according to different employee levels.

The significant inputs to the model are summarised as below:

	Nine directors and an associate of a directors	Management members
Fair market value per share as at valuation date (HK$)	1.69	1.69
Exercise price (HK$)	1.69	1.69
Exercise multiple	2.8	2.2
Risk-free rate	1.199%	1.199%
Volatility	61.95%	61.95%
Expected dividend yield	0.00%	0.00%
Post-vesting forfeiture rate	0%	20%

During the six months ended 30 June 2018, no share option was granted, exercised or forfeited (as of 31 December 2017: no share option was granted and 22,500,000 shares options were forfeited).

During the six months ended 30 June 2018, 69,500,000 share options were outstanding and exercisable (31 December 2017: 69,500,000 share options were outstanding and exercisable). These options will be expired on 13 May 2020.

16 SHARE CAPITAL *(continued)*

(b) Share Option Scheme *(continued)*

(ii) Share options granted on 22 December 2015

The Group approved and launched another share option scheme 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.

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 levels.

The significant inputs to the model are summarised as below:

	Ordinary employees
Fair market value per share as at valuation date (HK$)	0.41
Exercise price (HK$)	0.95
Exercise multiple	2.2
Risk-free rate	1.46%
Volatility	67%
Expected dividend yield	0.00%
Post-vesting forfeiture rate	20%

During the six months ended 30 June 2018, no share option was granted, exercised and 2,300,000 shares options were forfeited (as of 31 December 2017: no share option was granted and 14,600,000 shares options were forfeited).

As at 30 June 2018, 122,780,000 share options were outstanding and exercisable (as of 31 December 2017: 139,680,000 share options were outstanding and exercisable). These options will be expired on 21 December 2025.

17 TRADE AND BILLS PAYABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade payables	**83,544**	197,782
Bills payable	**218,910**	485,950
Total	**302,454**	683,732

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

Ageing analysis of trade payables as at the balance sheet date is as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
0 - 30 days	**38,979**	133,211
31 - 90 days	**5,364**	22,259
91 - 365 days	**31,890**	38,667
1 year - 2 years	**6,811**	2,459
2 years - 3 years	**–**	253
Over 3 years	**500**	933
	83,544	197,782

The trade and bills payables were denominated in RMB and their carrying amounts approximate their fair values as at 30 June 2018.

As at 30 June 2018, restricted bank deposits of RMB116,424,000 (Note 14) (31 December 2017: RMB145,660,000) had been pledged as collateral for the Group's bank acceptance bills of RMB218,910,000 (31 December 2017: RMB344,040,000).

18 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Advances from customers	**49,813**	70,507
Salary and welfare payables	**27,385**	30,311
Accrued expenses	**8,000**	6,335
Interest payables	**600**	849
Payables for purchase of equipment	**–**	6,794
Value added tax and other tax payables	**672**	4,041
Payable to a third party	**51,620**	–
Advances from third parties, interest bearing (Note a)	**301,000**	114,200
Deposits	**2,157**	2,408
Advances from a former director, interest bearing (Note c)	**–**	25,000
Guarantee deposit repayable to a third party for subscription of ordinary shares of the Company	**2,930**	2,930
Advances from equity investor of an associate and accrued penalty (note b)	**3,150**	28,150
Consideration payable to a former non-controlling interest holder of a subsidiary	**2,000**	2,000
Payable to Huisheng, a joint venture	**2,500**	2,500
Others	**67,512**	12,620
Total	**519,339**	308,645

Note:

(a) Advances from third parties include the followings:

(i) As at 30 June 2018, the Group has interest bearing advances from our substantial shareholder and the third third party individuals under its influence of RMB247,000,000 (31 December 2017: RMB50,000,000). In accordance with the agreements entered into between the Group and the two individuals, these advances are unsecured, interest bearing at 5% - 6.5% per annum and repayable in 2020.

(ii) As at 30 June 2018, the Group had borrowing of RMB54,000,000 from several third party beneficiaries of Nanjing Yangzi Service and Trade Industry Fund Limited Partnership, a subsidiary of the Group. The borrowing was unsecured, interest bearing at 6.5% per annum and repayable in September 2018. The Group repaid the borrowings in September 2018 (31 December 2017: RMB54,000,000).

18 ACCRUALS AND OTHER PAYABLES *(continued)*

Note: *(continued)*

(b) As at 30 June 2018, advances from Jiangsu Ruihua Investment Holdings Group Ltd. (江蘇瑞華投資控股集團有限公司) ("Ruihua"), a non-controlling interest party of an indirectly owned subsidiary of the Company, amounting to RMB3,150,000 (31 December 2017: RMB27,800,000) were unsecured, with principal of RMB100,000,000 and effective interest rate of 10% per annum. Mr. Cao Kuanping, Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd., Yangzhou Huiyin and the Company jointly provided a guarantee in favour of Ruihua regarding the advances to the Group from Ruihua.

(c) The balance due to a director as at 30 June 2018 represented rental expenses due to Mr. Cao Kuanping by the Group of RMB1,072,000 (as at 29 December 2017, the Group received advance from Mr. Cao Kuanping, a former Director of the Group, amounting to RMB25,000,000 (31 December 2016: Nil). The advance was unsecured, interest bearing at 4.6% per annum and repayable in April 2018. The Group repaid the advance in April 2018.).

19 BORROWINGS

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current		
Bond payables	**7,158**	7,062
Current		
Bank borrowings	**34,500**	131,289
	41,658	138,351

19 BORROWINGS *(continued)*

Movement in borrowings is analysed as below:

	Bank borrowings (a) RMB'000	Bond payables (b) RMB'000
Six months ended 30 June 2017		
Opening amount as at 1 January 2017	305,084	7,358
Proceeds from bank borrowings	95,000	–
Repayments of bank borrowings	(94,763)	–
Difference between nominal interest rates and effective interest rates on bond payables	–	(91)
Exchange differences	(1,236)	(36)
Closing amount as at 30 June 2017	304,085	7,231
Six months ended 30 June 2018		
Opening amount as at 1 January 2018	**131,289**	**7,062**
Proceeds from bank borrowings	**–**	**–**
Repayments of bank borrowings	**(96,789)**	**–**
Difference between nominal interest rates and effective interest rates on bond payables	**–**	**(98)**
Exchange differences	**–**	**194**
Closing amount as at 30 June 2018	**34,500**	**7,158**

(a) Bank borrowings

As at 30 June 2018, land use rights together with certain buildings and investment properties with an aggregated amount of RMB133,041,075 (31 December 2017: RMB194,782,000) (Note 7) had been pledged as collateral for the Group's bank borrowings of RMB33,600,000 (31 December 2017: RMB97,600,000).

As at 30 June 2018, bank borrowings with a total amount of RMB900,000 (31 December 2017: RMB900,000) were guaranteed by bill receivables with a total amount of RMB1,000,000.

19 BORROWINGS *(continued)*

(a) Bank borrowings *(continued)*

As at 30 June 2018, the carrying amounts of the Group's bank borrowings were denominated following currencies:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Current		
– RMB	**34,500**	114,300
– US dollar	**–**	16,989
	34,500	131,289

As at 30 June 2018, bank borrowings with the carrying amounts of RMB34,500,000(31 December 2017: RMB114,300,000) were of fixed rates.

The weighted average effective interest rates of the Group's bank borrowings are as follows:

	As at 30 June 2018	As at 31 December 2017
Current	**5.21%**	4.88%

(b) Bond payables

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Bond payables	**7,158**	7,062

In 2015, the Company placed 4 bonds at 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. These bonds were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

20 OTHER CURRENT LIABILITIES

	Contingent consideration liabilities arising from business combination RMB'000
As at 30 June 2018 and 31 December 2017	53,560

The other liabilities arising from the contingent consideration arrangements represented payable to the former owner of acquired subsidiary in 2010, Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd ("Anhui Four Seas"). The contingent period has 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.

21 REVENUE

Turnover of the Group comprises revenues recognised as follows:

	Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Sales of goods		
– Traditional business	**469,742**	524,997
– New retail channels	**79,229**	153,237
	548,971	678,234
Rendering of services		
– Maintenance and installation service	**19,100**	3,628
Total revenue	**568,071**	681,862

22 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Income from suppliers on promotion activities	**3,739**	5,474
Rental income	**2,568**	1,301
Membership fee income	**1,687**	4,241
Government subsidies	**1,000**	6,584
	8,994	17,600

23 OTHER LOSSES - NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Gain arose from acquisition of a subsidiary	**753**	–
Losses on disposal of property, plant and equipment, net	**(1,385)**	(6)
Losses on disposal of intangible assets, net	**–**	(43)
	(632)	(49)

24 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses were analysed as following:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of merchandise before deducting supplier rebates	**531,106**	676,619
Supplier rebates	**–**	(109,357)
Taxes and levies on main operations	**564**	941
Employee benefit expenses - including the directors' emoluments	**42,669**	48,196
Service charges	**399**	1,187
Operating lease expenses in respect of buildings and warehouses	**18,590**	17,992
Promotion and advertising expenses	**6,363**	12,344
Amortisation of land use rights (Note 7)	**1,446**	555
Depreciation of property, plant and equipment (Note 7)	**4,382**	9,279
Depreciation of investment properties (Note 7)	**–**	85
Amortisation of intangible assets (Note 8)	**66**	618
Utilities and telephone expenses	**5,831**	4,171
Transportation expenses	**4,557**	3,764
Entertainment expenses	**3,881**	3,805
Travelling expenses	**1,784**	2,362
Office expenses	**1,062**	1,277
Accrual of provision for obsolescence on inventories (Note 11)	**23,493**	1,231
Accrual of provision for impairment on trade receivables (Note 12)	**14,253**	1,260
Reversal of provision for advance payments to suppliers (Note 13)	**–**	(40,743)
Property tax and other taxes	**1,154**	1,616
Auditor's remuneration	**6,609**	1,763
Bank charges	**1,954**	2,657
Consulting expenses	**959**	625
Others	**30,118**	9,229
Total of cost of sales, selling and marketing expenses and administrative expenses	**701,239**	651,476

25 FINANCE COSTS-NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**590**	4,168
	590	4,168
Finance costs		
– Interest expenses on bank borrowings	**(3,609)**	(7,812)
– Interest expenses on discounting of bills receivables	**–**	(6,772)
– Interest expenses on bonds payables	**(253)**	(528)
– Net foreign exchange losses on monetary receivables and payables	**967**	(6,615)
– Net foreign exchange losses on cash and cash equivalents, bank borrowings and bond payables	**(510)**	1,369
	(3,405)	(20,358)
Finance costs-net	**(2,815)**	(16,190)

26 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax	**346**	11,948
– Deferred income tax (Note 10)	**–**	2,138
	346	14,086

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2018 (30 June 2017: Nil).

(b) PRC enterprise income tax

Under the Corporate Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's subsidiaries located in mainland China is 25%.

27 (LOSS)/EARNING PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(87,154)**	22,436
Weighted average number of ordinary shares in issue (thousand)	**2,537,960**	1,718,860
Basic (loss)/earning per share (RMB cents)	**(3.43)**	1.31

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the settlement in ordinary shares for consideration arising from business combination assuming it was settled by issuance of ordinary shares and exercise of share options granted under the Share Option Schemes.

	Six months ended 30 June	
	2018	2017
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(87,154)**	22,436
Weighted average number of ordinary shares in issue (thousand)	**2,537,960**	1,718,860
Adjustment for:		
– Settlement in ordinary shares for the contingent consideration arising from business combination (thousand)	**–**	90,723
– Exercise of share options granted under share option scheme (thousand)	**–**	231,680
Weighted average number of ordinary shares for diluted (loss)/earning per share (thousand)	**2,537,960**	2,041,263
Diluted (loss)/earning per share (RMB cents)	**(3.43)**	1.10

For the year ended 30 June 2018 and 31 December 2017, the impact of settlement in ordinary shares and exercise of the share options granted under the Share Option Scheme was anti-dilutive.

28 DIVIDENDS

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

29 COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises and warehouses under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group's future aggregate minimum lease payments under non-cancellable operating lease agreements were as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Not later than 1 year	**26,008**	47,582
Later than 1 year and not later than 5 years	**161,792**	182,618
Later than 5 years	**48,170**	79,215
	235,970	309,415

(b) CAPITAL COMMITMENTS

As of 30 June 2018, the committed investments are as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Committed investments in an associate (Note 9)	**98,000**	98,000
	98,000	98,000

30 FUTURE OPERATING LEASE RENTALS RECEIVABLES

The Group had future aggregate minimum rentals receivables under non-cancellable operating lease agreements in respect of land and buildings as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Not later than 1 year	**2,582**	3,254
Later than 1 year and not later than 5 years	**6,124**	10,356
Later than 5 years	**–**	26
	8,706	13,636

The future minimum lease receipts as set out above are mainly related to leasing of shop premises located at the Group's own stores and office building which are entered into primarily on a short-term or medium-term basis.

31 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group as of 30 June 2018.

Name	Relationship with the Group
Mr. Cao Kuanping	Former Chairman, former Chief Executive Officer, former director of the Company
Jiangsu Huisheng	A joint venture of the Group
Noble Trade International	The single largest shareholder of the Group
重慶聖商	Parent company of Noble Trade International
Ruihu	An associate of the Group

31 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the year:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
– Rental expenses to a related party		
Mr. Cao Kuanping	**1,872**	1,872
– Proceeds from advances from related parties		
Mr. Cao Kuanping	**–**	–
Jiangsu Huisheng	**2,500**	–
	2,500	–
– Directors' emoluments		
Salaries, bonuses and other welfares	**1,428**	3,465

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

Two property leasing contracts, one for office use and the other for retail purpose, were entered into by the Group with Mr. Cao Kuanping in 2013 for a term of 3 years from 20 January 2013 to 19 January 2016. During the year, these two lease contracts are extended to 19 January 2019. The aggregate annual rents payable by the Group to Mr. Cao Kuanping under the two property leasing contracts amounting to RMB3,743,600.

31 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other allowances	**1,780**	1,784
Social security costs	**125**	120
Other benefits	**1,458**	1,561
	3,363	3,465

(d) Balances with related parties

Other than the balances with Mr. Cao Kuanping as disclosed in Note 19, the Group had the following balances with related parties:

	As at	
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Advances from related parties		
– Mr. Cao Kuanping	**–**	25,000
– Jiangsu Huisheng	**2,500**	2,500
– Ruihu	**22,632**	22,632
	25,132	50,132
Deposit of subscription of ordinary shares of the Company		
– 重慶聖商	**2,930**	2,930
Salaries and welfares payable to directors		
– Mr. Cao Kuanping	**–**	152
– Mr. Mao Shanxin	**–**	19
– Mr. Mo Chihe	**–**	24
– Mr. Wang Zhijin	**–**	69
– Mr. Lu Chaolin	**–**	19
– Mr. Li Michael Hankin	**–**	14
	–	297

32 CONTINGENCIES

As at March to April 2017, Jiangsu Electronics Commerce, the Group's subsidiary obtained one month borrowing of RMB100 million from Ruihua. During the year, Jiangsu Electronics Commerce had repaid the principal of RMB100 million after the due date. Based on management's estimate, the unsettled interest and related penalty charge due to Ruihua as at 30 June 2018 would be RMB3,150,000. In August 2018, Ruihua initiated a legal claim against Jiangsu Electronics Commerce for a total amount of RMB18,038,000, including principal of RMB15,730,000 and overdue charge of RMB2,308,000. The Directors of the Company considers that the Group have made sufficient accrual as at 31 December 2017 to cover the outstanding balance of the borrowing from Ruihua and related overdue charges. Also, the Group would defend vigorously against this claim and consider no additional provision is necessary as at 31 December 2017.

33 SUBSEQUENT EVENTS

Between the period of 1 July 2018 and January 2019, the Group borrowed RMB244,000,000 in total from related parties or third parties influenced by Shengshang Group.

In December 2018, Jiangsu Electronics Commerce, the Group's subsidiary entered into an agreement with two third party individuals under which all the Group's equity interest in Nanjing Lehu and its subsidiaries ("Nanjing Lehu Group") had been sold to the two individuals at a consideration of RMB1. Management estimated that the disposal of Nanjing Lehu Group would result in a loss of approximately RMB35,000,000, which would be recognised in the consolidated financial statement of the Group for the year ended 31 December 2018.