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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

2021
INTERIM REPORT

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

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTOR
Ms. Xu Honghong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhao Jinyong
Mr. Chen Rui
Mr. Fung Tak Choi

COMPANY SECRETARY
Ms. Cheung Chit San, *ACG, ACS*

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

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

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

AUTHORISED REPRESENTATIVES
Mr. Yuan Li
Ms. Cheung Chit San

REGISTERED OFFICE
Floor 4 Willow House
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA
6/F, Tower 2,
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Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

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

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

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

STOCK CODE
1280

WEBSITE OF THE COMPANY
www.hyjd.com
(information on the website does not form part of this interim report)

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2021 is a year when People's Republic of China (the "PRC" or "China")'s economy continues to recover and moves toward normal levels, the first year of the "14th Five-Year Plan" and a year when the Two Centenary Goals meet and the strategies shift. In the first half of this year, with the increase in vaccination rate and the lifting of pandemic restrictions, China's economic operation remained active, continuing the steady recovery trend since the second quarter of last year. The macroeconomic operation was stable and improving, with production demand continuing to expand, employment and commodity prices being basically stable, the micro-foundation improving significantly and market expectations continuing to improve.

BUSINESS REVIEW

During the reporting period, in the context of a stable and improving macroeconomy in China, Qidian International Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as a home appliance retail enterprise, saw a gradual recovery in the customer traffic flow of the stores which it operated. In addition, the Group continued its efforts in optimizing its horizontal alliances initiative, aftersales and logistics support, corporate culture, information system, digitization and internal control system. As such, the Group made progress in the following aspects:

1. THE "1+1>2" SYNERGISTIC EFFECT GRADUALLY CAME INTO PLAY

During the reporting period, the Group took full advantage of the rich experience of Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd ("Anhui Four Seas"), a holding subsidiary of the Group, in home appliance operation, its marketing capabilities and management experience. With many years of in-depth experience in the home appliance industry, the management team promoted the refined management of stores and led the teams to achieve established sales goals. Integration and effective utilization of recourses achieved notable results and the "1+1>2" synergistic effect gradually came into play.

2. EFFECTIVELY LEVERAGED THE POLICY OF THE NEW ROUND OF "HOME APPLIANCES GOING TO THE COUNTRYSIDE" (家電再下鄉) TO STEADILY GAIN INCREMENTAL MARKET SHARE IN COUNTRYSIDE

In January 2021, 12 departments including the Ministry of Commerce, the National Development and Reform Commission and the Ministry of Industry and Information Technology issued a Notice on Several Measures to Boost Bulk Consumption with Key Consumption and Promote the Release of Rural Consumption Potential (《關於提振大宗消費重點消費促進釋放農村消費潛力若干措施的通知》), which proposes to promote the consumption of home appliances, furniture and decoration, activate the home appliance and furniture market, and encourages qualified areas to subsidize the replacement of old home appliances and furniture with green smart home appliances and environmental-friendly furniture. The policy of the new round of "Home Appliances Going to the Countryside" (家電再下鄉) is expected to drive a boom in home appliance sales arising from the demand of rural households for upgraded home appliances, and increase the rural penetration rate of home appliances such as air conditioners and smoke exhaust ventilators. At the same time, home appliances continue to be upgraded and iterated driven by technology progress, and continue to evolve toward a smart, environmentally friendly and energy-saving trend, and the demand for upgraded home appliances has gradually become prominent.

Since the Group has been working on the exploration of the home appliance retail markets in the third- and fourth-tier cities for many years, it keeps abreast of the relevant macro policies and home appliance industry policies, fully studies the policy of the new round of "Home Appliances Going to the Countryside", keenly captures the opportunities of incremental demand arising from the policy on the rural market and continues to explore the rural incremental market. Through implementing different marketing strategies for white household appliances (refrigerators, washing machines and air conditioners) which have entered the replacement and upgrading cycle and other types of home appliances, the Group made steady progress in respect of its existing market share while effectively developing prospects for growth.

MANAGEMENT DISCUSSION AND ANALYSIS

3. GEARING UP THE MARKET SHARE OF DIVERSIFIED HOME APPLIANCES UNDER THE BACKGROUND OF SUPPLY AND DEMAND UPGRADING

On the policy front, as a result of China's efforts to strengthen the fundamental role of consumption in economic development, high-quality consumption has been comprehensively promoted. On the demand front, there are approximately 180 million new middle-class consumers in China, and the number of middle-class families reached approximately 33.20 million. On the technology front, with the rapid development of 5G and the Internet of Things, the penetration of high-end home appliances has accelerated. Under various favorable policies, potential customers are being gradually guided to mid-to-high-end home appliances.

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

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2021, the Group's revenue was approximately RMB161.8 million, representing a increase of 36.7% from approximately RMB118.4 million for the six months ended 30 June 2020.

Turnover of the Group comprises revenues by operations as follows:

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Types of goods and services		
Sales of goods	**161,250**	115,017
Rendering of services		
– Maintenance and installation service	**590**	3,406
Total revenue	**161,840**	118,423

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

For the six months ended 30 June 2021, the cost of sales of the Group was approximately RMB145.7 million, increased by 30.3% from that of approximately RMB111.8 million for the six months ended 30 June 2020, which was due to the increase of sales volume.

GROSS PROFIT

For the six months ended 30 June 2021, the gross profit of the Group was approximately RMB16.2 million, increased by 145.5% from that of approximately RMB6.6 million for the six months ended 30 June 2020.

OTHER INCOME

For the six months ended 30 June 2021, other income recorded by the Group amounted to approximately RMB4.9 million, representing a increase of 19.5% in comparison to approximately RMB4.1 million for the six months ended 30 June 2020.

OTHER GAINS

For the six months ended 30 June 2021, the Group recorded other net gains of approximately RMB4.5 million, in comparison to other net gains of approximately RMB1.1 million for the six months ended 30 June 2020.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2021, the Group's total selling and marketing expenses amounted to approximately RMB25.3 million, representing a decrease by 19.7% from approximately RMB31.5 million for the six months ended 30 June 2020.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, the Group's total administrative expenses amounted to approximately RMB16.7 million, decreased by 45.6% from approximately RMB30.7 million for the six months ended 30 June 2020.

OPERATING LOSS

For the six months ended 30 June 2021, the operating loss amounted to approximately RMB16.4 million, decreased by 67.5% from approximately RMB50.4 million for the six months ended 30 June 2020.

FINANCE COSTS-NET

For the six months ended 30 June 2021, the net financial cost of the Group amounted to approximately RMB12.7 million, representing increased by 105% in comparison to approximately RMB6.2 million for the six months ended 30 June 2020.

LOSS BEFORE INCOME TAX

For the six months ended 30 June 2021, the loss before income tax amounted to approximately RMB29 million, while it was approximately RMB56.6 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

For the six months ended 30 June 2021, the income tax expenses of the Group amounted to approximately RMB18,000, while it was approximately RMB56,000 for the six months ended 30 June 2020.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the six months ended 30 June 2021 was approximately RMB26.1 million, while there was loss attributable to equity holders of approximately RMB55.5 million for the six months ended 30 June 2020.

CASH AND CASH EQUIVALENTS

As at 30 June 2021, the Group's cash and cash equivalents were approximately RMB31.2 million, representing a decrease of 38.7% from approximately RMB50.9 million as at 31 December 2020.

INVENTORIES

As at 30 June 2021, the Group's inventories amounted to approximately RMB52.1 million, representing a decrease of 7.1% from approximately RMB56.1 million as at 31 December 2020.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2021, prepayments, deposits and other receivables of the Group amounted to approximately RMB25.9 million, representing a decrease of 52.3% from approximately RMB54.4 million as at 31 December 2020.

TRADE AND BILLS RECEIVABLES

At 30 June 2021, trade and bills receivables of the Group amounted to approximately RMB8.1 million, representing a decrease of 24.3% from approximately RMB10.7 million as at 31 December 2020.

TRADE AND BILLS PAYABLES

At 30 June 2021, trade and bills payables of the Group amounted to approximately RMB122.4 million, representing a decrease of 3.8% from approximately RMB127.2 million as at 31 December 2020.

GEARING RATIO AND THE BASIS OF CALCULATION

At 30 June 2021, gearing ratio of the Group was 186.3%, in comparison to 173.7% as at 31 December 2020. The gearing ratio is equal to total liabilities divided by the sum of total equity and total liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2021, the Group's cash and cash equivalents (excluding the restricted cash) were approximately RMB19 million (31 December 2020: approximately RMB36 million).

The net current liabilities of the Group were approximately RMB257.4 million (31 December 2020: approximately RMB140.3 million), which consisted of current assets of approximately RMB117.4 million (31 December 2020: approximately RMB172.1 million) and current liabilities of approximately RMB374.8 million (31 December 2020: approximately RMB312.4 million).

The Group manages its capital structure to finance its overall operation by using different sources of funds. As at 30 June 2021, the interest-bearing borrowings of the Group amounted to approximately RMB338.5 million, decreased from approximately RMB400.6 million as at 31 December 2020. As at 30 June 2021, the Group's borrowings were denominated in RMB and US Dollar with fixed interest rate ranging from 5% to 6.5%.

During the six months ended 30 June 2021, the Company has allotted and issued 36,546,624 new shares to a subscriber at the subscription price of HK$1.14 per subscription share. The net proceeds from the subscription amounted to approximately HK$691,000. The net proceeds were used to settle trade and bills payables and as general working capital of the Group.

PLEDGING OF ASSETS

As at 30 June 2021, certain right-of-use assets, buildings and investment properties with a total net book value of approximately RMB173 million had been pledged.

INVESTMENT PROPERTIES

The Group's investment properties as of 30 June 2021 and 31 December 2020 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 30 June 2021 and 31 December 2020 are as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCIES AND TREASURY POLICY

All the income and the majority of expenses of the Group were denominated in RMB. During the six months ended 30 June 2021, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the directors of the Company (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.

LITIGATION AND CONTINGENCIES

As at 30 June 2021, the details of the contingent liabilities of the Group are set out in Note 22 to the condensed consolidated interim financial statements.

INTERIM DIVIDEND

The board of the Company (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

EMPLOYMENT AND REMUNERATION POLICY

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed with reference to the prevailing market rates in the region. Our management receives a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments. The Group's employee benefit expenses (including Directors' emoluments) including salaries, other allowances, social security costs and other benefits, amounted to approximately RMB12.2 million for the six months ended 30 June 2021 (2020: approximately RMB21.1 million).

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 2021, the Group had 355 employees, increased by 29.1% from 275 employees as at 31 December 2020.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not hold any significant investments, the fair value of which accounted for more than 5% of the Group's total assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, save as disclosed in the section headed "Future Outlook" and elsewhere in this report, the Group did not have any plans for future material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

On the whole, China's economy is expected to continue recovering and the real estate industry will also pick up its growth in the second half of this year. The housing construction sector which is closely related to the home appliance industry is also heating up again. Statistics show that the total area of completed residential properties and the total value of commodity housing sales in March this year increased 27.1% and 95.5% year-on-year respectively, representing an increase of 6.47% and 24.58% over the same period in 2019, which will effectively boost the demand for supporting products such as kitchen appliances and white home appliances.

1. FOCUSING ON CONSUMPTION + PRODUCT DUAL UPGRADES DRIVEN BY DOMESTIC DEMAND

According to National Bureau of Statistics of China, the per capita disposable income of the PRC rose from RMB23,800 to RMB32,200 from 2016 to 2020. The national disposable income per capita of the PRC grew by 2.1% in real terms, after deducting price factors. The increasing consumption level of residents has helped the upgrade in home appliance consumption. According to the Report on Home Appliance Market of China in 2020 (《2020年中國家電市場報告》), the annual average home appliance consumption online per user increased from RMB1,469 to RMB2,218 from 2015 to 2020, reflecting the changes in consumer shopping habits and the increased spending in online home appliances. At the same time, the changes in home appliance consumer structure also affected the changes in demand for home appliances. According to the Report on Home Appliance Market of China in 2020 (《2020年中國家電市場報告》), nearly 60% of home appliance consumers in the PRC are under the age of 35 in 2020. Under the development trend of 5G and the Internet of Things, the new generation of consumers pursue intelligence, personalization and refinement, willing to accept products with attractive appearance, new functions and high-quality, which promotes the quality upgrade of home appliance consumption in the PRC.

In the future, driven by the changing demand of home appliances, the products will continue to upgrade: (1) Diversification and personalization of home appliance products with feature functions. Products such as dishwasher, robotic vacuum cleaner and floor scrubber will become popular; under the trend of integration, products such as integrated stove, steaming and baking all-in-one machines and multi-function cooking machines will sell well; driven by internet celebrity culture, beauty products and small attractive household appliances such as beauty apparatus, oral irrigators and hair curler will go viral. (2) Healthier home appliances. Catalyzed by the pandemic, the concept of health has attracted much attention, and a variety of health-boosting household appliances are rapidly gaining popularity. (3) Intelligent home appliances. With the development of the Internet of Things and artificial intelligence, home automation has gradually emerged, ranging from household appliances such as refrigerators and washing machines that can be remotely controlled to AI smart air conditioners with functions such as interaction, self-learning, comfort adjustment and health monitoring.

Looking forward, the Group will focus on consumption upgrading for home appliance products, and conduct concentrated marketing in respect of upgrade of home appliance products in its stores. In addition, the Group will continue to study the trend of home appliance products updates and upgrades, launch home appliance products suitable for multiple age groups in a timely manner, and make full use of the intrinsic advantages of the home appliance industry's iterative nature.

MANAGEMENT DISCUSSION AND ANALYSIS

2. CONTINUING TO PROMOTE CHANGES IN RETAIL CHANNELS

In recent years, with the development of 5G and the Internet, online shopping methods have gradually taken root in consumers' lives. According to the National Bureau of Statistics, online retail sales of physical goods increased rapidly as a percentage of the total retail sales of consumer goods, reaching 24.9% in 2020, up 14.1 percentage points from 2015. In respect of home appliances consumption, the proportion of online retail sales of home appliances has grown faster than that of the overall physical goods.

In addition, the outbreak of the pandemic has accelerated changes in the retail channels of the home appliance industry, resulting in an accelerated online and offline integration. In 2020, due to the restrictions of the pandemic, consumers who previously relied on offline consumption gradually developed the consumption habit of online shopping, and the online and offline channels of the home appliance industry have arrived at a neck-and-neck situation. According to the Report on Home Appliance Market of China in 2020 (《2020年中國家電市場報告》), the online retail sales of home appliances accounted for 50.4% in 2020, exceeding the offline retail sales for the first time. As the impact of the pandemic subsided, the integration of online and offline channels has accelerated, and the vitality of offline channels has been reawakened. As a result, in the fourth quarter of 2020, the offline retail sales of home appliances once again surpassed that of online channels. According to the National Household Appliances Industry Information Center, in the first quarter of 2021, the offline channels of home appliance products continued the growth momentum of the fourth quarter of 2020, with offline retail sales reaching RMB87.27 billion, an increase of 47.4% year-on-year, whereas the online sales of home appliances was RMB76.91 billion, an increase of 32.5% year-on-year.

In the context of changes in the retail channels, the Group, as a home appliance retailer in third- and fourth-tier cities, will closely follow the tide of the times. On the one hand, it will deeply study the role of online and offline new retail models in promoting the sustainable development of the home appliance industry. On the other hand, it will intensify its efforts to promote changes in retail channels, accelerate the integration of online and offline channels and give full play to the unique advantages of online and offline channels, striving to improve the performance of home appliance retail operation.

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

In recent years, due to major changes in the economic environment such as geopolitical games and the COVID-19 pandemic, China's economic growth has faced certain downward pressure, and new digital technologies represented by industrial internet, big data, cloud computing, artificial intelligence, blockchain, and the Internet of Things have been increasingly integrated with the real economy.

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

OTHER INFORMATION

SHARE OPTION SCHEME

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

The 5,000,000 share options (adjusted pursuant to the share consolidation with effect from 7 January 2020 ("**Share Consolidation**")) granted at subscription price of HK$33.8 payable upon exercise of the same on 14 May 2015, among which 1,075,000 share options were outstanding as at 1 January 2020, with the following vesting schedule had all lapsed on 13 May 2020:

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

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

The 7,284,000 share options (adjusted pursuant to the Share Consolidation) granted at subscription price of HK$19.0 payable upon exercise of the same on 22 December 2015, among which 569,000 share options were outstanding as at 1 January 2020, were exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025, and had all lapsed during the year of 2020.

During the six months ended 30 June 2021, there was no outstanding share options under the Share Option Scheme and no share options were granted, exercised, canceled or lapsed under the Share Option Scheme.

ISSUE OF EQUITY SECURITIES AND USE OF PROCEEDS

Connected Transaction under the Loan Capitalisation through Subscription of New Shares under Specific Mandate

On 2 June 2021, the Company allotted and issued an aggregate of 36,546,624 ordinary shares (the "**Subscription Shares**") to Noble Trade International Holdings Limited (the "**Subscription**") for the purpose of alleviating the repayment pressure of the Group while at the same time, improving the gearing ratio of the Company, strengthening its financial condition and capital structure and retaining cashflow of the Group for its future business development. The Subscription Shares have an aggregate nominal value of US$730,932.48 and the market value of the Subscription Shares was HK$41,663,151.36 based on the closing price on the date of signing the subscription and capitalisation agreements. The subscription price of HK$1.14 which is the same as the net issue price was approximately HK$1.13 per Subscription Share.

The gross proceeds from the Subscription amounted to approximately HK$928,984.36. After deducting related professional fees and all related expenses borne by the Company under the Subscription, the net proceeds from the Subscription amounted to approximately HK$690,984.36. As at 30 June 2021, the net proceeds raised from the Subscription were fully utilised in accordance with the planned use of proceeds as set out in the circular of the Company dated 13 May 2021 which included settlement of trade and bills payables and as general working capital of the Group. The Directors are not aware of any material change or delay in the use of proceeds.

OTHER INFORMATION

Noble Trade International Holdings Limited is a substantial shareholder of the Company, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constituted a connected transaction for the Company, and the announcement, reporting and independent shareholder's approval requirements under Chapter 14A of the Listing Rules were duly complied with. Noble Trade International Holdings Limited is also an associate of two executive Directors, namely Mr. Yuan Li and Mr. Xu Xinying, who are shareholders of its parent company, Chongqing Saint Information Technology Co., Ltd.. Accordingly, Mr. Yuan Li and Mr. Xu Xinying were deemed to have a material interest in the Subscription. Upon completion for the Subscripition, Noble Trade International Holdings Limited holds an aggregate of 65,001,624 Shares, representing 29.64% of the total issued Shares as at the date of this report.

For details of the Subscription, please refer to the announcements dated 7 April 2021 and 2 June 2021 and the circular dated 13 May 2021.

Issue and Subscription of New Shares under General Mandate

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

The gross proceeds from the Subscription was approximately HK$39.3 million. After deducting related professional fees and all related expenses of approximately HK$0.4 million borne by the Company under the Subscription, the net proceeds from the Subscription amounted to approximately HK$38.9 million.

As at 30 June 2021, the net proceeds raised from the Subscription were fully utilised and applied in accordance with the planned use of proceeds as set out the announcement of the Company dated 7 September 2020 which included settlement of trade and bills payables and as general working capital of the Group.

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

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

OTHER INFORMATION

AUTHORISED SHARE CAPITAL INCREASE

On 31 May 2021, the authorised share capital of the Company was increased from US$4,000,000 divided into 200,000,000 Shares to US$12,000,000 divided into 600,000,000 Shares.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBT SECURITIES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected transaction under the loan capitalisation through subscription of new shares under specific mandate" on page 11 of this interim report, during the reporting period, there was no transaction, agreement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had, whether directly or indirectly, a material interest.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, 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	65,001,624 shares (L)	29.64%

(L) Denotes long position

Note:

The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an Executive Director as to 38.48%.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the interests or short positions of those persons (other than Directors or chief executives whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd. (Note 1)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Noble Trade International Holdings Limited* (聖行國際集團有限公司) (Note 1)	The Company	Beneficial owner	65,001,624 shares (L)	29.64%
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	65,001,624 shares (L)	29.64%
Oupu Shanwei (International) Holdings Limited (歐普善偉 (國際)控股有限公司) (Note 2)	The Company	Beneficial owner	23,755,306 shares (L)	10.83%
Shan Weiwei (Note 2)	The Company	Interest of controlled corporation	23,755,306 shares (L)	10.83%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	The Company	Beneficial owner	23,400,210 shares (L)	10.67%
Sun Yan (Note 3)	The Company	Interest of controlled corporation	23,400,210 shares (L)	10.67%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (Note 4)	The Company	Beneficial owner	13,679,604 shares (L)	6.24%
Chen Bo (Note 4)	The Company	Interest of controlled corporation	13,679,604 shares (L)	6.24%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	5.97%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	The Company	Interest of controlled corporation	13,095,000 shares (L)	5.97%
BOCE (Hong Kong) Co., Limited (Note 5)	The Company	Beneficial owner	13,095,000 shares (L)	5.97%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) (Note 6)	The Company	Beneficial owner	11,955,181 shares (L)	5.45%
Cao Kuanping (曹寬平) (Note 6)	The Company	Interest of controlled corporation	11,955,181 shares (L)	5.45%
Mao Shanzhen (茅善珍) (Note 6)	The Company	Spouse interest	11,955,181 shares (L)	5.45%

(L) Denote long position

Notes:

(1) The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an Executive Director as to 38.48%.

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

(3) The 23,400,210 shares were held by Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) ("Ruihong Yixing") as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.

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

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

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

OTHER INFORMATION

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period from 1 January 2021 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to enhancing the corporate governance, and the Board reviews and updates all necessary measures from time to time 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 2021.

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 six months ended 30 June 2021.

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

AUDIT COMMITTEE

During the six months ended 30 June 2021, the audit committee of the Company (the "Audit Committee") comprises the Independent Non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi, including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

As of the date of this report, the composition of the Audit Committee is in compliance 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 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 2021.

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 2021 to 30 June 2021, and up to the date of this 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 2021.

MATTERS AFTER THE REPORTING PERIOD

Up to the date of this report, apart from the daily business activities of the Company, there has been no significant event after the reporting period.

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 25 August 2021

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**122,371**	124,448
Right-of-use assets		**55,837**	65,692
Investment properties		**50,158**	50,665
Intangible assets	4	**1,112**	1,191
Equity investment designated at fair value through other comprehensive income		**600**	600
		230,078	242,596
Current assets			
Inventories	5	**52,130**	56,063
Trade and bills receivables	6	**8,132**	10,698
Prepayments, deposits and other receivables	7	**25,954**	54,412
Restricted bank deposits	8	**12,149**	14,438
Cash and cash equivalents	9	**19,003**	36,457
		117,368	172,068
Total assets		**347,446**	414,664
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**29,174**	24,512
Reserves		**(346,998)**	(350,966)
Equity attributable to owners of the Company		**(317,824)**	(326,454)
Non-controlling interests		**18,053**	20,987
Total Equity		**(299,771)**	(305,467)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Non-current liabilities			
Borrowings	13	244,872	373,027
Lease liabilities		26,913	34,048
Provision for reinstatement costs		648	648
		272,433	407,723
Current liabilities			
Trade and bills payables	11	122,362	127,198
Accruals and other payables	12	56,848	50,569
Contract liabilities		22,833	26,130
Borrowings	13	93,606	27,579
Lease liabilities		16,849	17,316
Other current liabilities		53,560	53,560
Provision for litigations		8,642	9,972
Provision for reinstatement costs		84	84
Total current liabilities		374,784	312,408
Net current liabilities		(257,416)	(140,340)
Total liabilities		647,217	720,131
Net liabilities		(299,771)	(305,467)
Total equity and liabilities		347,446	414,664

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Unaudited Six months ended 30 June	
	Note	**2021** **RMB'000**	2020 RMB'000
Revenue		**161,840**	118,423
Cost of sales and services		**(145,661)**	(111,833)
Gross profit		**16,179**	6,590
Other income		**4,888**	4,066
Other net gain	16	**4,495**	1,148
Selling and marketing expenses		**(25,253)**	(31,476)
Administrative expenses		**(16,694)**	(30,733)
Finance income		**13**	264
Finance costs		**(12,666)**	(6,482)
Finance cost-net		**(12,653)**	(6,218)
Loss before tax		**(29,038)**	(56,623)
Income tax expense		**(18)**	(56)
Loss for the period		**(29,056)**	(56,679)
Total comprehensive expense for the period		**(29,056)**	(56,679)
Loss and total comprehensive expense for the period attribute to:			
– Owners of the Company		**(26,122)**	(55,461)
– Non-controlling interests		**(2,934)**	(1,218)
		(29,056)	(56,679)
Loss per share (RMB)			
– Basic and diluted		**(0.16)**	(0.42)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	16,766	1,803,618	28,007	55,395	(2,206,309)	(302,523)	22,725	(279,798)
Loss and total comprehensive loss for period	–	–	–	–	(55,461)	(55,461)	(1,218)	(56,679)
Subscription of new shares	3,636	21,803	–	–	–	25,439	–	25,439
Balance at 30 June 2020	20,402	1,825,421	28,007	55,395	(2,261,770)	(332,545)	21,507	(311,038)
Balance at 1 January 2021	24,512	1,855,155	28,007	55,395	(2,289,523)	(326,454)	20,987	(305,467)
Loss and total comprehensive loss for period	–	–	–	–	(26,122)	(26,122)	(2,934)	(29,056)
Subscription of new shares	4,662	30,090	–	–	–	34,752	–	34,752
Balance at 30 June 2021	**29,174**	**1,885,245**	**28,007**	**55,395**	**(2,315,645)**	**(317,824)**	**18,053**	**(299,771)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows used in operating activities:		
Cash generated from operations	**32,523**	14,393
Interest paid	**(3,340)**	(3,486)
Income tax paid	**(18)**	(63)
Net cash generated from operating activities	**29,165**	10,844
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(2,328)**	(58)
Interest received	**13**	264
Net cash (used in)/generated from investing activities	**(2,315)**	206
Cash flows from financing activities:		
Proceeds from subscription of new shares	**34,752**	25,439
Advance from third parties and related parties	**—**	50,000
Repayments of advance from third parties	**(38,965)**	(60,441)
Proceed from/(Repayment) of bank borrowings	**900**	—
Repayments of advance from a related party	**(33,389)**	(11,750)
Payment of lease liabilities	**(7,602)**	(9,874)
Net cash used in financing activities	**(44,304)**	(6,626)
(Decrease)/increase in cash and cash equivalents	**(17,454)**	4,424
Cash and cash equivalents at beginning of the period	**36,457**	23,677
Cash and cash equivalents at end of the period	**19,003**	28,101

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

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, Grande Cayman KY1-1112, Cayman Island. The principal place of business of the Company's subsidiaries (together with the Company referred to as the "Group") is located at 6/F., Tower 2, Guotai Building, No. 440 Wenchang Xi Road, Yangzhou City, Jiangsu Province, PRC.

The Company is principally engaged in investment holding. The principal activities of the Group are mainly engaged in the retail of household appliance, mobile phones, computers, import and general merchandise and provision of maintenance and installation services 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for investment properties and equity investment designated at fair value through other comprehensive income which are measured at fair value, and in accordance to Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2020 ("2020 Audited Financial Statements") which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and all values are rounded to the nearest thousands (RMB'000), unless otherwise indicated.

In preparing these condensed consolidated interim financial statements, the directors have considered the operation of the Group as a going concern notwithstanding that the Group incurred net loss of approximately RMB29,056,000 for the six months ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB257,416,000. These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

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

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

(i) On 24 December 2020, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company. Under the letter, the repayment date is not earlier than 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) The Company obtained a financial support from Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) ("Chongqing Saint"), the parent company of a substantial shareholder, (Noble Trade International Holdings Limited) of the Company, under which Chongqing Saint has given an irrevocable undertaking that it would provide financial support to the Group to meet its financial obligations for a maximum amount of RMB330 million for a period of 12 months from the date of approval of the audited financial statements for the year ended 31 December 2020.

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

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

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Except for the application of new and amendments to HKFRSs issued by the HKICPA that are effective for the annual periods beginning on or after 1 January 2021, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 30 June 2021 are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

For the six months ended 30 June 2021, the Group has applied all new and amendments to HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on or after 1 January 2021. The application of the new and amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current/prior periods and/or the disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted any new and amendments to HKFRSs that have been issued by the HKICPA but are not yet effective.

3. FINANCIAL RISK MANAGEMENT

3.1. 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Financial assets		
Equity investment designated at fair value through other comprehensive income	**600**	600
Financial assets at amortised cost	**65,238**	94,722
Financial liabilities		
Financial liabilities at amortised cost	**647,217**	682,407

(b) Foreign exchange risk

The Group operates mainly in the PRC and is exposed to foreign exchange risk with respect to primarily Hong Kong dollar ("HKD") and United States dollar ("USD"). Foreign exchange risk arises from recognised assets and liabilities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(b) Foreign exchange risk *(Continued)*

As at 30 June 2021, the carrying amount of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	Unaudited 30 June 2021		Audited 31 December 2020	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Cash and bank balances	**1**	**25**	21	3
Accruals and other payables	**—**	**—**	(25,445)	—
Borrowings	**(8,782)**	**—**	(8,532)	—
	(8,781)	**25**	(33,956)	3

As at 30 June 2021, if RMB had weakened/strengthened by 5% (2020:5%), against HK Dollar with all other variables held constant, pre-tax loss for the period would have been approximately RMB439,000 higher/lower (2020, pre-tax loss for the year RMB1,698,000), mainly as a result of foreign exchange gains/losses on translation of HK dollar-denominated cash and bank balances, accruals and other payables, and borrowings.

(c) Cash flow and fair value interest rate risk

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

The Group's interest-rate risk mainly arises from borrowings. As at 30 June 2021, borrowings at fixed rates comprise bank borrowing of RMB4,900,000 (31 December 2020: RMB4,000,000) and other borrowings/advances of approximately RMB324,796,000 (31 December 2020: RMB354,373,000). Borrowings at fixed rates exposed the Group to fair value interest rate risk. The Group did not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 13.

(d) Credit risk

Majority of the Group's retail sales are settled in cash, credit/other payment cards, bank acceptance bills or telegraph bank transfers by its customers upon delivery of goods. The carrying amounts of the bank balances, trade and bills receivables, and other financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carrying significant exposure to credit risk.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(d) Credit risk *(Continued)*

(i) Bank balances

The credit risk on bank balance is limited because the counterparties are banks with high credit ratings. Accordingly, no loss allowance was provided in respect of bank balances as at 30 June 2021 and 31 December 2020.

(ii) Receivables

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

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

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

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

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

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

As at 30 June 2021 and 31 December 2020, the Group's trade receivables with the aggregate gross carrying amount of RMB18,960,000 and RMB18,876,000, respectively were assessed on individual basis. These trade receivable balances were considered as credit impaired and were fully impaired.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(e) Liquidity risk

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

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

	Contractual undiscounted cash flow						
	Weighted average interest rate %	Within 1 year or demand RMB'000	More than 1 year but Less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying Amount RMB'000
As at 30 June 2021							
Non-derivative financial liabilities							
Other borrowings	5.33	102,898	122,322	151,542	—	376,762	324,796
Bonds payables	12.6	505	8,605	—	—	9,110	8,782
Bank borrowings	3.65	5,079	—	—	—	5,079	4,900
Trade and bills payables	—	122,362	—	—	—	122,362	122,362
Accruals and other payables	—	56,848	—	—	—	56,848	56,848
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	12.45	19,367	11,073	17,719	1,349	49,508	43,762
		360,619	142,000	169,261	1,349	673,229	615,010
As at 31 December 2020							
Non-derivative financial liabilities							
Other borrowings	5.33	7,806	59,588	365,463	—	432,857	392,074
Bonds payables	12.6	505	505	8,605	—	9,615	8,532
Bank borrowings	3.65	4,097	—	—	—	4,097	4,000
Trade and bills payables	—	127,198	—	—	—	127,198	127,198
Accruals and other payables	—	49,679	—	—	—	49,679	49,679
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	12.45	19,734	15,555	19,779	2,689	57,757	51,364
		262,579	75,648	393,847	2,689	734,763	686,407

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(e) Liquidity risk *(Continued)*

Note:

The interest payments on borrowing are calculated based on borrowings held as at 30 June 2021 and 31 December 2020 without taking into account of future borrowings.

3.2. CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Group consists of cash and cash equivalents of approximately RMB19,003,000 as at 30 June 2021 (31 December 2020: RMB36,457,000) and equity attributable to owners of the Company of approximately (RMB317,824,000) as at 30 June 2020 (31 December 2020: (RMB326,454,000), comprising issued share capital and reserves.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

4. INTANGIBLE ASSETS

	Non-compete agreements RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2020			
Cost	4,970	9,604	14,574
Accumulated amortisation	(4,970)	(8,264)	(13,234)
Net carrying amount	—	1,340	1,340
At 1 January 2020	—	1,340	1,340
Amortisation	—	(149)	(149)
	—	1,191	1,191
At 31 December 2020			
At 31 December 2020			
Cost	—	9,604	9,604
Accumulated amortisation	—	(8,413)	(8,413)
Net carrying amount	—	1,191	1,191
At 1 January 2021			
Cost	**4,970**	**9,604**	**14,574**
Accumulated amortisation	**(4,970)**	**(8,413)**	**(13,383)**
Net carrying amount	**—**	**1,191**	**1,191**
At 1 January 2021	**—**	**1,191**	**1,191**
Amortisation	**—**	**(79)**	**(79)**
	—	**1,112**	**1,112**
At 30 June 2021			
At 30 June 2021			
Cost	**4,970**	**9,604**	**14,574**
Accumulated amortisation	**(4,970)**	**(8,492)**	**(13,462)**
Net carrying amount	**—**	**1,112**	**1,112**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

5. INVENTORIES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Merchandise held for resale	**54,821**	58,027
Write-down of inventories for obsolescence	**(2,691)**	(1,964)
Total	**52,130**	56,063

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Included in cost of sales		
– Carrying amount of merchandise sold	**145,351**	329,820
– (Reversal of write-down)/Write down of inventories for obsolescence	**727**	(2,377)
Total	**146,078**	327,443

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

6. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade receivables	27,092	29,314
Less: Allowance for credit losses	(18,960)	(18,876)
	8,132	10,438
Bills receivables	—	260
Total trade and bills receivables	8,132	10,698

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

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
0 – 90 days	6,287	5,781
91 – 365 days	1,048	4,410
1 year – 2 years	766	1,151
2 years – 3 years	3,123	3,316
Over 3 years	15,868	14,656
Total	27,092	29,314

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

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,805,000 (31 December 2020: RMB23,533,000) which are past due as at the reporting date. None of them is considered as in default.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Prepayments to suppliers	**18,780**	21,283
Deposit	**3,930**	810
Value added tax recoverable	**—**	23,478
Other receivables from third parties, net of provision		
– Amount paid on behalf of certain suppliers	**—**	59
– Amount due from a director	**—**	200
– Staff advances	**270**	1,078
– Others	**2,974**	7,504
	25,954	54,412

8. RESTRICTED BANK DEPOSITS

At 30 June 2021, bank deposits of RMB1,938,000 (31 December 2020: RMB6,217,000) were frozen by courts for certain legal proceedings against the Group. The details of the legal proceedings were disclosed in Note 22. The remaining amount of RMB10,211,000 had been pledged as collateral for the Group's bills payable.

9. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Cash on hand		
– denominated in RMB	**21**	27
Cash at bank		
– denominated in RMB	**18,956**	36,412
– denominated in HKD	**1**	21
– denominated in USD	**25**	3
	18,982	36,436
Total cash and cash equivalent	**19,003**	36,463

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

10. SHARE CAPITAL OF THE COMPANY

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

	Par value	Number of ordinary Shares	Nominal value of ordinary Shares USD	Equivalent nominal value of ordinary Shares RMB'000
Authorised:				
At 1 January 2020	US$0.001	4,000,000,000	4,000,000	24,147
Share consolidation (a)	N/A	(3,800,000,000)	—	—
At 31 December 2020 and 1 January 2021	US$0.02	200,000,000	4,000,000	24,147
Increase of authorised shares (c)	US$0.02	400,000,000	8,000,000	48,297
At 30 June 2021		600,000,000	12,000,000	72,444
Issued and fully paid				
At 1 January 2020	US$0.001	2,537,960,017	2,537,960	16,766
Share consolidation (a)	N/A	(2,411,062,017)	—	—
Subscription of new shares (b)	US$0.02	55,835,120	1,116,702	7,746
At 31 December 2020 and 1 January 2021		182,733,120	3,654,662	24,512
Issuance of new shares (d)	US$0.02	36,546,624	730,932	4,662
At 30 June 2021		219,279,744	4,385,594	29,174

Notes:

(a) On 7 January 2020, the Company has completed the share consolidation on the basis of every twenty issued and unissued existing Shares of US$0.001 each into one consolidated share of US$0.02.

(b) On 18 May 2020, the Company has allotted and issued 25,379,600 new shares to the subscribers at the subscription price of HK$1.09 per subscription share. The net proceed from the subscription amounted to approximately HK$27,313,764. And on 7 September 2020, the Company entered into another subscription agreement with two subscribers whereby the Company conditionally agreed to allot and issue and the subscribers have conditionally agreed to subscribe for an aggregate of 30,455,520 subscription shares at a price of HK$1.29 per subscription share. The net proceed from the subscription amounted to approximately HK$38,900,000. The issue and subscription of shares was completed on 16 September 2020 and 22 September 2020.

(c) On 31 May 2021, the Company has increased the authorised shares capital of the Company from US$4,000,000 divided into 200,000,000 shares to US$12,000,000 divided into 600,000,000 shares.

(d) On 2 June 2021, the Company has allotted and issued 36,546,624 new shares to the subscriber at the subscription price of HK$1.14 per subscription share. All the subscription shares of approximately HK$41,663,000 payable by subscriber to settle the shareholders' loan of approximately HK$40,734,000 and the remaining balance of approximately HK$929,000 settled by cash.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

11. TRADE AND BILLS PAYABLES

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade payables	(a)	**112,151**	112,770
Bills payable	(b)	**10,211**	14,428
		122,362	127,198

Notes:

(a) At 30 June, 2021, the trade payables included outstanding balances of RMB58,911,000 (2020: RMB58,911,000) arising from purchase of goods from Yangzhou Suohai Electronics Co. Limited ("Suohai") and Jiangsu Zhipu Electronics Appliance Co. Ltd. ("Zhipu") due to Ruihu, an associate of the Group.

(b) At 30 June 2021, the bills payable were secured by bank deposits.

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

Ageing analysis of trade payables based on invoice date as at the end of the reporting period is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
0 – 30 days	**4,560**	7,179
31 – 90 days	**969**	2,076
91 – 365 days	**8,267**	5,936
1 year – 2 years	**2,317**	2,442
2 years – 3 years	**75,991**	75,791
Over 3 years	**20,047**	19,346
Total	**112,151**	112,770

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

12. ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Salary and welfare payables	**2,497**	3,243
Accrued expenses	**4,077**	5,363
Deposits	**2,634**	3,285
VAT and other tax payables	**10,923**	1,630
Amount due to a shareholder	**5,057**	5,057
Rental payable to a former director	**—**	2,422
Others	**31,502**	3,966
Amount due to Chongqing Saint	**158**	158
Loan from a shareholder	**—**	25,445
	56,848	50,569

13. BORROWINGS

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Non-current			
Bond payables	(a)	**8,782**	8,532
Other borrowings	(b)	**236,090**	364,495
		244,872	373,027
Current			
Bank borrowings	(c)	**4,900**	4,000
Other borrowings	(b)	**88,706**	23,579
		93,606	27,579
		338,478	400,606

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

13. BORROWINGS *(Continued)*

(a) BONDS PAYABLES

The bonds payables balance represent 2 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 from the year of 2015. These bonds were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(b) OTHER BORROWINGS

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Independent third parties	(i)	62,239	139,112
Entities controlled by the Chairman	(ii)	51,000	56,255
A shareholder	(iii)	211,557	192,439
A related party	(iv)	—	268
		324,796	388,074
Secured		57,860	134,082
Unsecured		266,936	253,992
		324,796	388,074

As 30 June 2021, the other borrowings were repayable as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 1 year or on demand	88,706	23,579
After 1 year but within 2 years	105,450	—
After 2 years but within 5 years	130,640	364,495
	324,796	388,074

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

Notes:

(i) Independent third parties

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Party A	**57,860**	134,082
Party B	**3,350**	3,620
Party C	**1,029**	1,328
Party D	**—**	82
Total	**62,239**	139,112

Party A

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

The amount due to Party A as at 31 December 2018 comprised of outstanding loans of RMB152,000,000 and accrued interest of RMB4,305,000. The loans were denominated in RMB, caried interest at fixed rates ranging from 5% to 6.5% per annum and repayable together with interest payable in 2020, being 2 years from the date of each relevant borrowing. During the year ended 31 December 2019, Party A entered into a number of agreements with other independent parties. Pursuant to these agreements, a total amount of outstanding loans and accrued interest of RMB 189,322,000 were transferred to Party A from these parties.

In December 2019, Party A agreed to waive the interest payment for 2019 totalling RMB18,917,000. The outstanding balance of RMB314,924,000 were secured by certain assets held by the group. The loans bearing interests at fixed rates ranging from 5% to 6.5% per annum.

During the year ended 31 December 2020, the subsidiary made loan repayments of RMB197,016,000. At 30 June 2021, the amount due to Party A comprised of outstanding loans and accrued interest of RMB83,214,000. The outstanding balance of RMB83,214,000 were secured by certain assets held by the Group. The loans bearing interests at fixed rates ranging from 5% to 6.5% per annum. On 24 December 2020, Party A wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest before 30 June 2023.

Party B

On 15 August 2019 Party B entered into a loan agreement with a subsidiary of the Group pursuant to which Party B granted a loan of RMB4,000,000 to the Group for a period of eighteen months. As at 30 June 2021, the outstanding loan balance of principal is RMB3,350,000 and the loan is unsecured and bearing interest at 5.5% per annum.

Party C

On 16 January 2019, Party C entered into a loan agreement with a subsidiary of the Group pursuant to which Party C granted a loan of RMB22,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. At 30 June 2021, the remaining outstanding loan and the principal were amounted to RMB1,029,000 (31 December 2020: RMB1,328,000).

Party D

On 16 January 2019, Party D entered into a loan agreement with a subsidiary of the Group pursuant to which Party D granted a loan of RMB20,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. During the six months period ended 30 June 2021, the subsidiary made full repayment of the loan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(ii) Entities controlled by the chairman

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
廣東聖融金服控股有限公司("廣東聖融")	**45,000**	50,691
北京奇點新科技集團有限公司(formerly known as 聖行(北京)控股集團有限公司("北京奇點")	**6,000**	5,564
	51,000	56,255

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

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

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

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

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

On 26 January 2021, 北京奇點 entered into loan agreement with a subsidiary of the Group pursuant to which 北京奇點 granted a loan of RMB1,000,000. The loan is unsecured and bearing interest at 5% per annum.

(iii) A shareholder

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Chongqing Saint	**211,557**	192,439

During the year ended 31 December 2020, Chongqing Saint entered into a loan agreement with subsidiaries of the Group pursuant to which Chongqing Saint granted a number loans with a total amount of RMB214,440,000 to the Group for a period ranging from 1 to 3 years. The loans are unsecured and bearing interest ranging from 5% to 6.5% per annum. During the year ended 31 December 2020, a subsidiary made loan repayments of RMB25,000,000. At 30 June 2021, the remaining outstanding loan were amounted to RMB211,557,000.

(iv) A related party

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Mr. Yuan Yang	**—**	268

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(iv) A related party *(Continued)*

Mr. Yuan Yang is a brother of the Chairman

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

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

During the six months period ended 30 June 2021, the subsidiary has repaid all outstanding balance of the borrowing.

(c) BANK BORROWINGS

As at 30 June 2021, a subsidiary of the Group has bank laon of RMB4,900,000, denominated to Renminbi and repayable within one year. The borrowing is unsecured, carried variable interest rate at RMB Loan Prime Rate. The effective interest rate on the bank borrowings is 3.65% per annum for the period ended 30 June 2021.

14. REVENUE AND SEGMENT INFORMATION

(i) REVENUE

The principal activities of 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 PRC.

Disaggregation of revenue from contract with customers.

	Unaudited Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Types of goods and services		
Sales of goods		
– Household appliance business	**161,250**	115,017
Rendering of services		
– Maintenance and installation service	**590**	3,406
Total revenue	**161,840**	118,423
Timing of revenue recognition		
A point in time	**161,840**	118,423

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

14. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) SEGMENT INFORMATION

The Group is principally engaged in the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation r for household appliance in the PRC. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no additional reportable segment and geographical information have been presented.

15. OTHER INCOME

	Unaudited Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Rental income from investment properties	**1,078**	1,053
Maintenance and repairment etc.	**3,340**	2,193
Other	**470**	820
	4,888	4,066

16. OTHER GAINS/(LOSSES) – NET

	Unaudited Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Losses on disposal of property, plant and equipment, net	**8**	482
Gain on fair value change of derivative financial instruments	**—**	(50)
Other	**4,487**	716
	4,495	1,148

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

17. LOSS BEFORE INCOME TAX

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

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of merchandise sold	**145,351**	111,240
Employee benefit expenses – including the directors' emoluments	**12,151**	21,117
Amortisation of right-of-use assets	**9,855**	11,192
Depreciation of property, plant and equipment	**4,405**	5,036
Depreciation of investment properties	**507**	346
Amortisation of intangible assets	**79**	77
Accrual/(reversal) of provision for obsolescence on inventories	**727**	(870)
Accrual of provision for impairment on trade receivables	**84**	1,937

18. FINANCE COST-NET

	Unaudited Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance costs		
– Interest expenses on bank borrowings	**89**	—
– Interest expenses on advances from third parties and related parties	**8,988**	11,047
– Interest expenses on bonds payables	**249**	273
– Net foreign exchange losses on cash and cash equivalent, borrowings and bonds payable	**—**	2
– Interest expenses on lease liabilities	**3,340**	3,213
	12,666	14,535
Waive of interest payment	**—**	(8,053)
	12,666	6,482
Finance income		
– Interest income on bank deposits	**(13)**	(264)
Net finance costs - net	**12,653**	6,218

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

19. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
PRC enterprise and withholding income taxes – current income tax – PRC income tax	**18**	56

(a) HONG KONG PROFIT TAX

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong for the six months ended 30 June 2021 (2020: Nil).

(b) PRC ENTERPRISE INCOME TAX

Under the Corporate Income Tax Law of the PRC, the enterprise income tax rate applicable to the subsidiaries located in mainland China is 25% (2020: 25%).

20. LOSS PER SHARE

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

	Unaudited Six months ended 30 June	
	2021 **RMB'000**	2020 RMB'000
Loss: attributable to equity holders of the Company (RMB'000)	**(26,122)**	(55,461)
Weighted average number of ordinary shares in issue ('000)	**159,311**	131,639
Basic and diluted loss per share (RMB)	**(0.16)**	(0.42)

The computation of diluted loss per share for the six months ended 30 June 2021 and 2020 did not assume the exercise of share options and settlement in ordinary shares for the other liabilities arising from the contingent consideration arrangements in prior years as their assumed exercise would decrease the loss per share for both of the six months ended 30 June 2021 and 2020.

The weight average number of shares for the purpose of basic and diluted loss per shares has been adjusted for the share consolidation on 7 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

21. INTERIM DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil) and the board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

22. LITIGATION AND CONTINGENCIES

(A) LITIGATIONS MADE BY MR. CAO KUANPING AGAINST THE GROUP

i. During the year ended 31 December 2019, the former director Mr. Cao Kuanping commenced legal proceedings against the Group seeking for compensation of RMB3,600,000 on unlawful termination of the employment contract by a subsidiary of the Group. Mr. Cao Kuangping increased the claim to RMB4,800,000 and also claimed for the salary for March 2019. Pursuant to a court order issued by the People's Court of Hanjiang District, Yangzhou on 30 October 2020, an outstanding salary of RMB64,367.8 in March 2019 is payable by Yangzhou Huiyin Technology Group Co., Ltd., a subsidiary of the Group, to Mr. Cao Kuanping, but Mr. Cao Kuanping's other litigation claims were rejected. As of 30 June 2021, the inventories of RMB4,527,000 held by Yangzhou Huiyin Household Appliance Co., Ltd., a subsidiary of the Group, were seized for a period of three years pending the outcome of the legal proceedings. The case is still ongoing in Yangzhou Intermediate Court (揚州中級法院).

ii. During the year ended 31 December 2019, the former director Mr. Cao Kuanping commenced legal proceedings against the Group seeking for outstanding salaries of RMB200,000 and insurance premium of US$1,075,278 (equivalent to RMB7,488,000). On 21 March 2019, the subsidiary terminated the employment contract with Mr. Cao Kuanping. Pursuant to a court order issued by the People's Court of Hanjiang District, Yangzhou on 17 November 2020, a commercial insurance of US$358,426 in 2019 and an outstanding salary of RMB200,000 in January and February 2019 are payable by Yangzhou Huiyin Household Appliance Co., Ltd. to Mr. Cao Kuanping, but Mr. Cao Kuanping's other litigation claims were rejected. As of 30 June 2021, certain right-of-use assets of RMB1,925,000, buildings of RMB22,478,000 and investment properties of RMB9,930,000 with a total carrying amount of RMB34,284,000 held by Yangzhou Huiyin Household Appliance Co., Ltd. were frozen for a period of three years pending the outcome of the legal proceedings. The case is still ongoing in Yangzhou Intermediate Court (揚州中級法院).

At the date of this interim report, the cases of (i) and (ii) are still ongoing and the final outcome of which would be subject to the final judgements of the courts.

(B) LITIGATIONS MADE BY THE GROUP AGAINST SUPPLIERS

During the year ended 31 December 2019, the Group continued the legal proceedings against two suppliers namely Suohai and Zhipu for recovery of prepayments totaling RMB355,371,000 made to them in previous years. In view of the uncertainty of the legal proceedings and the difficulties in enforcing the judgement against Suohai and Zhipu, the prepayments were fully written off in prior year. Up to the date of this interim report, the litigations are still in trial.