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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1280)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

(in RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
Revenue	**118,423**	229,003
Gross profit	**6,590**	24,011
Gross profit margin	**5.6%**	10.5%
Loss before tax	**(56,623)**	(32,239)
Loss for the period	**(56,679)**	(32,301)
Loss for the period attributable to owners of the Company	**(55,461)**	(30,323)
Basic loss per share (RMB)	**(0.42)**	(0.24)

The board (the "Board") of directors (the "Directors") of Qidian International Co., Ltd. (the "Company") herewith announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019. The unaudited condensed consolidated interim results of the Group have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**Unaudited 30 June 2020 RMB'000**	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**132,672**	137,650
Right-of-use assets		**78,015**	89,207
Investment properties		**38,676**	39,022
Intangible assets		**1,263**	1,340
Equity investment designated at fair value through other comprehensive income		**600**	600
		251,226	267,819
Current assets			
Inventories		**55,610**	77,251
Trade and bills receivables	3	**8,117**	8,878
Prepayments, deposits and other receivables	4	**67,990**	74,794
Restricted bank deposits		**13,514**	23,242
Cash and cash equivalents		**28,101**	23,677
		173,332	207,842
Total assets		**424,558**	475,661
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	**20,402**	16,766
Reserves		**(352,947)**	(319,289)
		(332,545)	(302,523)
Non-controlling interests		**21,507**	22,725
Total equity		**(311,038)**	(279,798)

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	8	**111,801**	59,646
Lease liabilities		**38,453**	50,028
Provision for reinstatement costs		**434**	620
		150,688	110,294
Current liabilities			
Trade and bills payables	6	**111,700**	131,125
Accruals and other payables	7	**75,015**	44,257
Contract liabilities		**26,720**	29,350
Borrowings	8	**293,303**	363,957
Lease liabilities		**21,858**	20,157
Current income tax liabilities		**—**	7
Other liabilities		**53,560**	53,560
Provision for litigations		**2,566**	2,566
Provision for reinstatement costs		**186**	186
		584,908	645,165
Total liabilities		**735,596**	755,459
Total equity and liabilities		**424,558**	475,661

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June **2020** **RMB'000**	 2019 RMB'000
Revenue	9	**118,423**	229,003
Cost of sales		**(111,833)**	(204,992)
Gross profit		**6,590**	24,011
Other income	10	**4,066**	5,632
Other gains/(losses) – net		**1,148**	(2,546)
Selling and marketing expenses		**(31,476)**	(31,998)
Administrative expenses		**(30,733)**	(13,760)
Operating loss		**(50,405)**	(18,661)
Finance income		**264**	237
Finance costs		**(6,482)**	(13,815)
Finance costs – net	12	**(6,218)**	(13,578)
Loss before income tax	11	**(56,623)**	(32,239)
Income tax expense	13	**(56)**	(62)
Loss for the period		**(56,679)**	(32,301)
Attributable to:			
– Equity holders of the Company		**(55,461)**	(30,323)
– Non-controlling interests		**(1,218)**	(1,978)
		(56,679)	(32,301)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB per share)			(restated)
– Basic and diluted	14	**(0.42)**	(0.24)
Dividends	15	**—**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Loss for the period	**(56,679)**	(32,301)
Other comprehensive income or loss	**—**	—
Total comprehensive loss for the period	**(56,679)**	(32,301)
Attributable to:		
– Equity holders of the Company	**(55,461)**	(30,323)
– Non-controlling interest	**(1,218)**	(1,978)
	(56,679)	(32,301)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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 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, 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.

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 2019 ("2019 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 RMB56,679,000 for the six months ended 30 June 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB411,576,000. 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 2019, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest of RMB255,133,000 as at 30 June 2020. The original due dates for repayment of these outstanding loans and accrued interest are between March 2020 and February 2022. Under the letter, the repayment date is not earlier than 30 April 2022;

(ii) On 17 April 2020, the Company obtained a financial support from 重慶聖商信息科技有限公司 (transliterated into Chongqing Saint Information Technology Co., Ltd.) ("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 RMB230 million for a period of 24 months from the date of approval of the 2019 Audited Financial Statements;

(iii) 廣東聖融金服控股有限公司, 北京奇點新科技集團有限公司 (previously known as 聖商(北京)控股集團有限公司 (transliterated into Saint (Beijing) Holding Group Co., Ltd.)) (transliterated into Guangdong Shengrong Financial Service Holding Co., Ltd. and Beijing New Qidian Technology Group Co., Ltd. respectively) and HK Saint Next Investment Limited agreed to extend the outstanding loans and interest of RMB83,280,000 which are due for repayment between May and October 2020 for a further period of two years; and

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

Impact on the report brought by the progress of litigation between Suohai and Zhipu

As disclosed in announcements of the Group dated 26 October 2018, 26 November 2018, 26 December 2018, 27 January 2019, 26 February 2019, 26 March 2019, 26 April 2019, 26 May 2019, 26 June 2019 and 26 July 2019 (the "Announcements"), as at 21 August 2018, the Group initiated a legal proceeding at the Intermediate People's Court of Yangzhou in relation to the possible losses incurred by the prepayments to Suohai and Zhipu of RMB35,537,100, during which a number of legal procedures have been undertaken. On 27 August 2019, the Company received the judgement from Jiangsu

Provincial High Court in respect of the rebuttal of the appeal for jurisdiction challenge initiated by Suohai and Zhipu. The trial shall continue to proceed in the Intermediate People's Court of Yangzhou. Through further trial by the court, the Group expected to administer a real estate asset of the two suppliers of approximately RMB50 million attached by the court and other assets that can be administered by the court to compensate part of the losses incurred from the prepayments of the two suppliers.

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 2020, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 30 June 2020 are consistent with those adopted in the preparation of 2019 Audited Financial Statements.

For the six months ended 30 June 2020, 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 2020. 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 on 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. TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade receivables	**26,967**	25,911
Less: Provision for impairment	**(19,170)**	(17,233)
Trade receivables, net	**7,797**	8,678
Bills receivable	**320**	200
Trade and bills receivables, net	**8,117**	8,878

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

The aging analysis of trade receivables based on invoice date, before provision for impairment, as at the end of the reporting period is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 - 30 days	**1,135**	1,091
31 - 90 days	**1,931**	1,855
91 - 365 days	**6,135**	5,895
1 year - 2 years	**3,423**	3,289
2 years - 3 years	**2,159**	2,074
Over 3 years	**12,184**	11,707
Total	**26,967**	25,911

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

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

4. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Prepayments to suppliers, net of provision	**34,772**	42,940
Rebate receviable from supplier, net of provision	**1,302**	1,652
Other receivables	**3,604**	2,926
Deposits	**517**	714
Value added tax recoverable	**27,795**	26,562
	67,990	74,794

The prepayments, deposits and other receivables of the Group are denominated in RMB and their carrying amounts approximate their fair values as at the balance sheet date.

5. SHARE CAPITAL

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 2019, at 31 December 2019 and at 1 January 2020	USD0.001	4,000,000,000	4,000,000	24,147
Share consolidation (a)	N/A	(3,800,000,000)	—	—
At 30 June 2020	USD0.02	200,000,000	4,000,000	24,147
Issued and fully paid				
At 1 January 2019, at 31 December 2019 and at 1 January 2020	USD0.001	2,537,960,017	2,537,960	16,766
Share consolidation (a)	N/A	(2,411,062,017)	—	—
Subscription of new shares (b)	USD0.02	25,379,600	507,592	3,636
		152,277,600	3,045,552	20,402

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 USD0.001 each into one consolidated share of USD0.02.

(b) On 28 May 2020, the Company has allotted and issued 25,379,600 new shares to the subscribers at the subscription price of HKD1.09 per subscription share. The net proceed from the subscription amounted to approximately HKD27,314,000 (equivalent to RMB25,439,000). The Company intends to use the net proceeds to settle the trade and bills payables and as general working capital to finance the Group's businesses and fund potential developments.

6. TRADE AND BILLS PAYABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade payables	**105,382**	115,024
Bills payable	**6,318**	16,101
	111,700	131,125

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

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 - 30 days	**11,592**	11,127
31 - 90 days	**22,130**	1,811
91 - 365 days	**4,215**	5,646
1 year - 2 years	**35,830**	75,823
2 years -3 years	**23,184**	18,301
Over 3 years	**8,431**	2,316
	105,382	115,024

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

7. ACCRUALS AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Salary and welfare payables	**8,520**	10,071
Accrued expenses	**1,407**	2,150
Deposits	**2,615**	3,006
Value added tax and other tax payables	**11,510**	1,242
Interest payables	**—**	351
Deposits for subscription of ordinary shares of the Company	**—**	2,930
Amount due to a shareholder	**5,057**	5,230
Rental payable to a former director	**2,872**	3,853
Others	**36,576**	13,347
Amount due to Chongqing Saint	**6,458**	2,077
	75,015	44,257

8. BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Non-current		
Bonds payables	**8,300**	8,027
Other borrowings	**103,501**	51,619
	111,801	59,646
Current		
Other borrowings	**293,303**	363,957
	405,104	423,603

9. 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 contracts with customers:

	Unaudited Six months ended 30 June **2020** **RMB'000**	 2019 RMB'000
Types of goods and services		
Sales of goods		
– Household appliance business	**115,017**	215,173
Rendering of services		
– Maintenance and installation service	**3,406**	13,830
Total revenue	**118,423**	229,003
Timing of revenue recognition		
A point in time	**118,423**	229,003

(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 services 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.

10. OTHER INCOME

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Rental income from investment properties	**1,053**	1,141
Maintenance and repairment service	**2,193**	4,187
Other	**820**	304
	4,066	5,632

11. LOSS BEFORE INCOME TAX

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

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of merchandise sold	**111,240**	203,445
Employee benefit expenses - including the directors' emoluments	**21,117**	13,901
Amortisation of land use rights	**—**	258
Amortisation of right-of-use assets	**11,192**	—
Depreciation of property, plant and equipment	**5,036**	14,613
Depreciation of investment properties	**346**	85
Amortisation of intangible assets	**77**	133
Reversal of provision for obsolescence on inventories	**(870)**	(555)
Accrual of provision for impairment on trade receivables	**1,937**	1,168
Reversal of provision for advance payments to suppliers	**—**	122

12. FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance costs		
– Interest expenses on bank borrowings	**—**	193
– Interest expenses on advances from third parties and related parties	**11,047**	10,015
– Interest expenses on bonds payables	**273**	409
– Net foreign exchange losses on cash and cash equivalents, borrowings and bonds payable	**2**	10
– Net foreign exchange losses on monetary receivables and payables	**—**	905
Interest expenses on lease liabilities	**3,213**	2,283
	14,535	13,815
Waiver of interest payment	**(8,053)**	—
	6,482	13,815
Finance income		
– Interest income on bank deposits	**(264)**	(237)
Net finance costs – net	**6,218**	13,578

13. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
PRC enterprise and withholding income taxes		
– Current income tax - PRC income tax	**56**	62

(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 for the six months ended 30 June 2020 (2019: 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% (2019: 25%).

14. 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	
	2020	2019 (restated)
Loss attributable to equity holders of the Company (RMB'000)	**(55,461)**	(30,323)
Weighted average number of ordinary shares in issue ('000)	**131,639**	126,898
Basic and diluted loss per share (RMB)	**(0.42)**	(0.24)

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 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 2020 and 2019.

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

15. INTERIM DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020.

16. LITIGATION AND CONTINGENCIES

During the year ended 31 December 2017, Jiangsu Huiyin Electronics Commerce Co. Ltd., a subsidiary of the Company, obtained one month borrowing of RMB100 million from 江蘇瑞華投資控股集團有限公司("Ruihua"). In August 2018, Ruihua initiated a legal claim against Jiangsu Huiyin Electronics Commerce Co. Ltd. for a total amount of RMB18,038,000, including principal of RMB15,730,000 and overdue charge of RMB2,308,000. As at 31 December 2018, the outstanding amount due to Ruihua was approximately RMB 3,900,000, including principal of approximately RMB3,315,000 and accrued penalty charge of RMB585,000 (2017: RMB 28,150,000, including principal of RMB27,800,000 and accrued penalty of RMB350,000).

On 3 April 2019, Ruihua also withdrew the above claims and litigation against the Group about the above borrowing provided that the Group would settle the outstanding balance and legal costs arising from the litigation according to mutual agreement made with Ruihua.

On 8 April 2019, approximately RMB60,049,000 of the properties of the former Chairman, Mr. Cao Kuanping, were seized and frozen by the PRC court in respect of claims and litigations made by Ruihua against Mr. Cao Kuanping arising from the aforesaid repurchase request from Ruihua Enterprises in respect of 51% equity interest in Ruihu and 10% equity interest in Jiangsu Huiyin Electronic Commerce Co., Ltd.

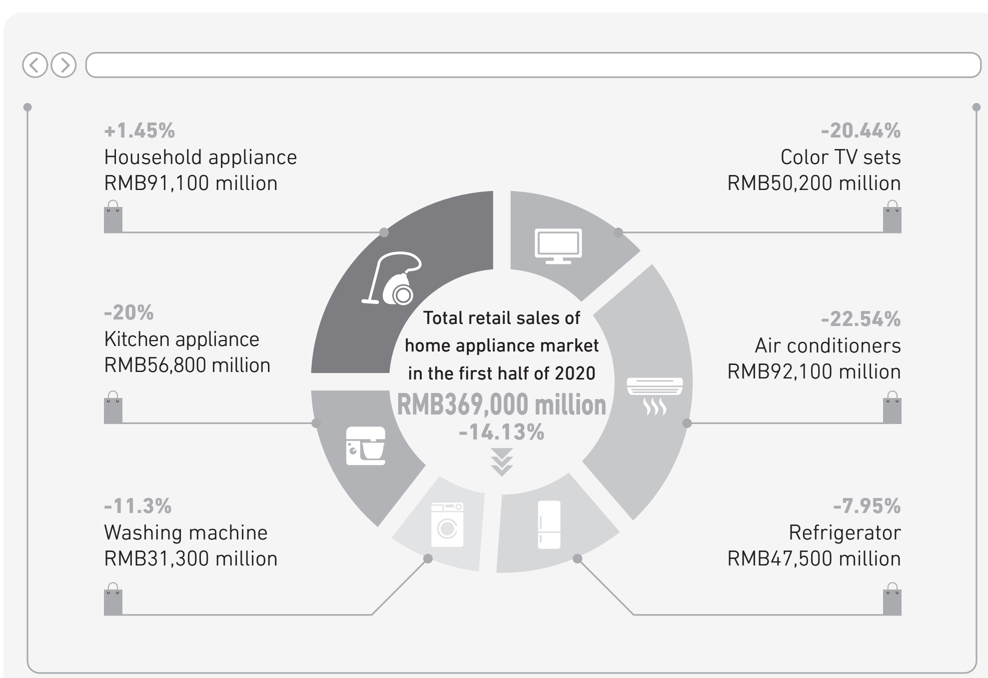
MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of this year, the COVID-19 epidemic (the "epidemic") has had an unprecedented impact on the global economy, especially on commercial enterprises whose main channels are stores. However, under a series of effective prevention and control policies in the People's Republic of China (the "PRC" or "China"), the domestic economic situation undergone an upturn from downward spiral and recovered steadily, and the overall economy is recovering with a good momentum of growth. It is worth noting that, the constant strong rainfalls in Southern China since June has added discordant factors to the economic recovery under the steady revival of macro-economy.

Information based on the Report on Home Appliance Market of China in the First Half of 2020 (《2020上半年中國家電市場報告》) released by the Ministry of Industry and Information Technology on 27 July 2020 is illustrated as follows:

Retail sales and increase/decrease of home appliance market by category in the first half of 2020



BUSINESS REVIEW

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

1. Effectively integrating the subsidiary management experience

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

2. Accelerating layout in lower-tier market in rural area

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

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

3. Diligently practicing the concept of comfortable home in selecting home appliances

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

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

4. Gearing up the market share of healthy and smart home appliances

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

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

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2020, the Group's revenue was approximately RMB118.4 million, representing a decrease of 48.3% from approximately RMB229.0 million for the six months ended 30 June 2019.

Turnover of the Group comprises revenues by operations as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Types of goods and services		
Sales of goods		
– Household appliance business	**115,017**	215,173
Rendering of services		
– Maintenance and installation service	**3,406**	13,830
Total revenue	**118,423**	229,003

COST OF SALES

For the six months ended 30 June 2020, the cost of sales was approximately RMB111.8 million, decreased by 45.5% from that of approximately RMB205.0 million for the six months ended 30 June 2019,which was due to the decrease of sales volume.

GROSS PROFIT

For the six months ended 30 June 2020, the gross profit was approximately RMB6.6 million, decreased by 72.5% from that of approximately RMB24.0 million for the six months ended 30 June 2019.

OTHER INCOME

For the six months ended 30 June 2020, other income recorded by the Group amounted to approximately RMB4.1 million, representing a decrease of 26.8% in comparison to approximately RMB5.6 million for the six months ended 30 June 2019.

OTHER GAINS

For the six months ended 30 June 2020, the Group recorded other net gains of approximately RMB1.1 million, in comparison to other net losses of approximately RMB2.5 million for the six months ended 30 June 2019.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2020, the Group's total selling and marketing expenses amounted to approximately RMB31.5 million, representing a decrease by 1.6% from approximately RMB32.0 million for the six months ended 30 June 2019.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2020, the Group's total administrative expenses amounted to approximately RMB30.7 million, increased by 122.5% from approximately RMB13.8 million for the six months ended 30 June 2019.

OPERATING LOSS

For the six months ended 30 June 2020, the operating loss amounted to approximately RMB50.4 million, increased by 169.5% from approximately RMB18.7 million for the six months ended 30 June 2019.

FINANCE COSTS-NET

For the six months ended 30 June 2020, the net financial cost of the Group amounted to approximately RMB6.2 million, representing decreased by 54.4% in comparison to approximately RMB13.6 million for the six months ended 30 June 2019.

LOSS BEFORE INCOME TAX

For the six months ended 30 June 2020, the loss before income tax amounted to approximately RMB56.6 million, while it was approximately RMB32.2 million for the six months ended 30 June 2019.

INCOME TAX EXPENSE

For the six months ended 30 June 2020, the income tax expenses of the Group amounted to approximately RMB0.1 million, while it was approximately RMB0.1 million for the six months ended 30 June 2019.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the six months ended 30 June 2020 was approximately RMB55.5 million, while there was loss attributable to equity holders of approximately RMB30.3 million for the six months ended 30 June 2019.

CASH AND CASH EQUIVALENTS

As at 30 June 2020, the Company's cash and cash equivalents were approximately RMB28.1 million, representing an increase of 18.6% from approximately RMB23.7 million as at 31 December 2019.

INVENTORIES

As at 30 June 2020, the Company's inventories amounted to approximately RMB55.6 million, representing a decrease of 28.1% from RMB77.3 million as at 31 December 2019.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2020, prepayments, deposits and other receivables of the Group amounted to approximately RMB68.0 million, representing decrease of 9.1% from approximately RMB74.8 million as at 31 December 2019.

TRADE AND BILLS RECEIVABLES

At 30 June 2020, trade and bills receivables of the Group amounted to approximately RMB8.1 million, representing decrease of 9.0% from approximately RMB8.9 million as at 31 December 2019.

TRADE AND BILLS PAYABLES

At 30 June 2020, trade and bills payables of the Group amounted to approximately RMB111.7 million, representing a decrease of 14.8% from approximately RMB131.1 million as at 31 December 2019.

GEARING RATIO AND THE BASIS OF CALCULATION

At 30 June 2020, gearing ratio of the Group was 173.3%, in comparison to 158.8% as at 31 December 2019. The gearing ratio is equal to total liabilities divided by the sum of total equity and total liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2020, the Group's cash and cash equivalents (excluding the restricted cash) were approximately RMB28.1 million (31 December 2019: approximately RMB23.7 million).

The net current liabilities of the Group were approximately RMB411.6 million (31 December 2019: approximately RMB437.4 million), which consisted of current assets of approximately RMB173.3 million (31 December 2019: approximately RMB207.8million) and current liabilities of approximately RMB584.9 million (31 December 2019: approximately RMB645.2 million).

The Group manages its capital structure to finance its overall operation by using different sources of funds. As at 30 June 2020, the interest-bearing borrowing of the Group amounted to approximately RMB405.1 million, decreased from approximately RMB423.6 million as at 31 December 2019. As at 30 June 2020, the Group's borrowings were denominated in Renminbi and US Dollar with fixed interest rate ranged from 5% to 6.5%.

During the period ended 30 June 2020, the Company has allotted and issued 25,379,600 new shares to the subscribers at the subscription price of HKD1.09 per subscription shares. The net proceeds from the subscription amounted to approximately HKD27.3 million (equivalent to RMB25.4 million). The net proceeds were used to settled the trade and bill payables, and general working capital of the Group's operation.

PLEDGING OF ASSETS

As at 30 June 2020, certain land use rights, buildings and investment properties with a total net book value of approximately RMB188.0 million had been pledged.

INVESTMENT PROPERTIES

The Group's investment properties as of 30 June 2020 and 31 December 2019 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2019 and 30 June 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 Development Zone, Jiangsu, PRC	Warehouse	Medium-term lease
Building 7, No. 18 Gudu Road, Yangzhou Economic 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

FOREIGN CURRENCIES AND TREASURY POLICY

All the income and the majority of expenses of the Group were denominated in Renminbi. During the six months ended 30 June 2020, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

LITIGATION AND CONTINGENCIES

As at 30 June 2020, the details of the contingent liabilities of the Group are set out in note 16 to the condensed consolidated interim financial statement.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

EMPLOYMENT AND REMUNERATION POLICY

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

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

HUMAN RESOURCES

As at 30 June 2020, the Group had 338 employees, decreased by 29.6% from 480 employees as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2020, the Group did not have any plans for future material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE OUTLOOK

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

1. Continuing to obtain incremental market

On 18 May 2020, 7 departments including the National Development and Reform Commission jointly issued the Implementation Plan on Improving the Recycling and Treatment System of Waste Home Appliances and Promoting the Renewal and Consumption of Home Appliances (《關於完善廢舊家電回收處理體系、推動家電更新消費的實施方案》). On 17 July 2020, the Ministry of Agriculture and Rural Affairs issued the National Rural Industry Development Plan (2020-2025) (《全國鄉村產業發展規劃 (2020-2025年)》).

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

2. Implementing new marketing transformation

In the first half of this year, new marketing methods such as live commerce and purchase of goods in 3D scenes have been more and more adopted in the home appliance market, which has played a positive role in promoting the recovery of the home appliance market. With the popularity of social e-commerce and the rise of content delivery models, stores have transformed towards socialization, digitalization and Internet delivery. The passive search-shopping pattern of traditional e-commerce has changed to the active influencing pattern of live video streaming or content e-commerce. Taking advantage of the opportunities, the Group explored a marketing model suitable for its characteristics based on the product features of each store, and combined offline stores and online live video streaming which channels between the two marketing models of KOL and KOC (Key Opinion Customer), meeting the more diversified demands of customers by advantageous video sharing and continuously improving performance.

3. **Promoting digital-based retail and keep up with the pace of digital-based transformation**

In recent years, due to major changes in the economic environment such as geopolitical games and the COVID-19 epidemic, China's economic growth has faced certain downward pressure. In view of the increasing integration of new digital technologies represented by the industrial internet, big data, cloud computing, artificial intelligence, blockchain, and the Internet of Things, etc. with the real economy, the Group will continue to accelerate the digital-based retail in stores, select smart home appliances, and realise 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 attaches great importance to improving the digital experience with customer needs as the core, it has formed a complete closed-loop experience centering on customers and integrating display experience, communication, transaction and service. Endeavors are made to achieve the diversification of terminal channels, the perfection of channel experience and the organic integration of online and offline consumer procurements.

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 2020.

AUDIT COMMITTEE

During the six months ended 30 June 2020, 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 announcement, 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 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 results for the six months ended 30 June 2020.

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 2020 to 30 June 2020, and up to the date of this announcement.

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 2020.

MATTERS AFTER THE REPORTING PERIOD

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2020 Interim Report of the Company will be dispatched to shareholders of the Company and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hyjd.com in due course. This announcement can also be accessed on these websites.

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

Yangzhou, PRC, 25 August 2020

As at the date of this announcement, the Board of Directors of the Company comprises four executive Directors, namely Mr. Yuan Li, Mr. Xu Xinying, Ms. Liu Simei and Mr. Sun Lejiu; one non-executive Director, namely Ms. Xu Honghong, and three independent non-executive Directors, namely Mr. Zhao Jinyong, Mr. Chen Rui and Mr. Fung Tak Choi.