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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

INTERIM REPORT | 2020

CONTENTS

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)*
Mr. Sun Lejiu
Mr. Xin Kexia *(resigned on 15 July 2020)*

NON-EXECUTIVE DIRECTOR

Ms. Xu Honghong

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Wan Yin Yee, *ACIS 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. Wan Yin Yee

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA

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

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

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

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

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

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

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

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

STOCK CODE

1280

WEBSITE OF THE COMPANY

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

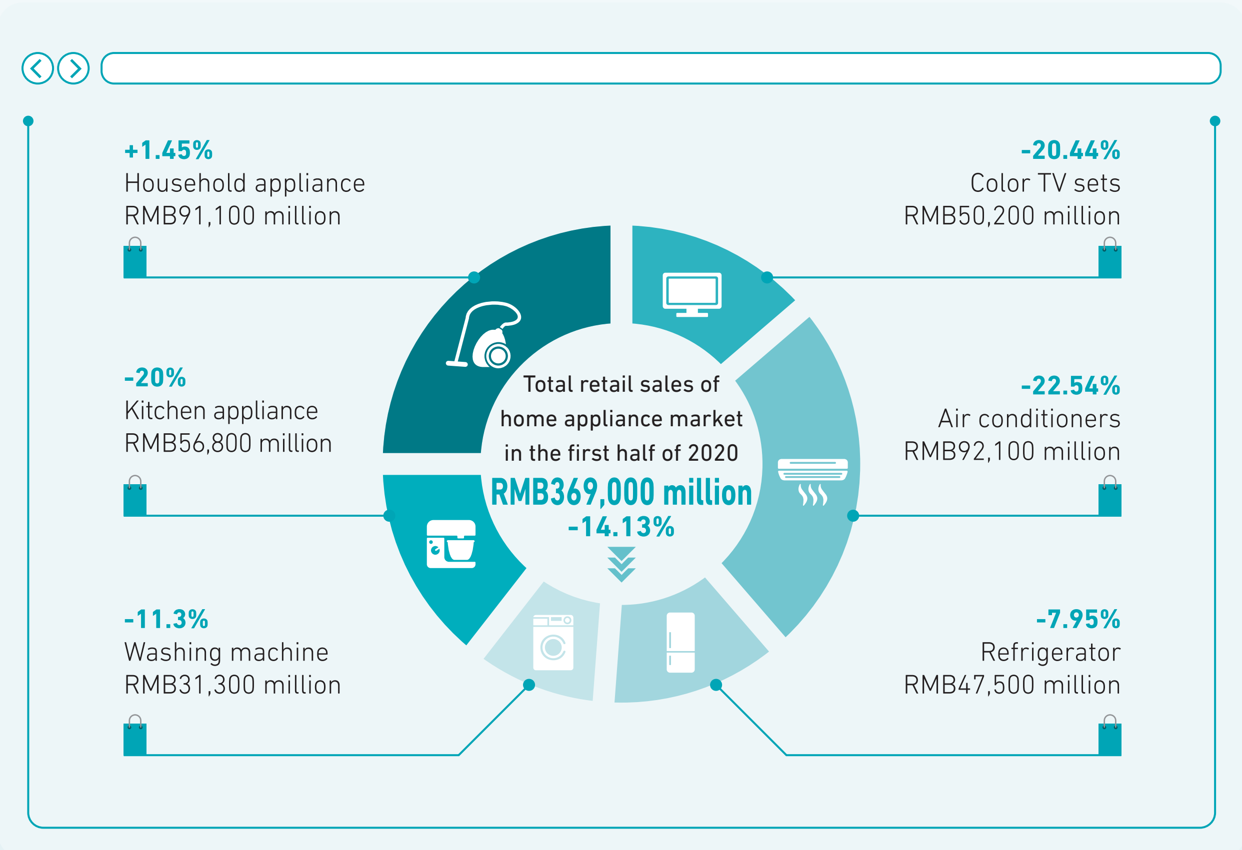
MANAGEMENT DISCUSSION AND ANALYSIS

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 **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

COST OF SALES

For the six months ended 30 June 2020, the cost of sales of the Group 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 of the Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Group'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 Group's inventories amounted to approximately RMB55.6 million, representing a decrease of 28.1% from approximately 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 a 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 a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months 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 approximately 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 & 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 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 23 to the condensed consolidated interim financial statements.

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.

SIGNIFICANT INVESTMENTS

As at 30 June 2020, 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

During the six months ended 30 June 2020, 1,644,000 share options (adjusted upon share consolidation on 7 January 2020, details of which are set out in the Company's announcements/circular dated 3 December 2019, 15 December 2019 and 3 January 2020) were cancelled or lapsed.

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

	Number of share options				
Name	As at 1 January 2020	Granted during the reporting period	Exercised during the reporting period	Cancelled/ lapsed during the reporting period	As at 30 June 2020
Employees	719,000 (Note 2)	—	—	(719,000) (Note 2)	—
Others (Note 1)	925,000 (Note 2)	—	—	(925,000) (Note 2)	—
	1,644,000 (Note 2)	—	—	(1,644,000) (Note 2)	—

Notes:

(1) Others are the former Directors and their associate.

(2) Adjusted as a result of the share consolidation as set out in the section headed "Other Information" of this interim report.

The 5,000,000 share options granted on 14 May 2015, among which 1,075,000 share options were outstanding as at 1 January 2020, may only become exercisable in accordance with the following vesting schedule:

(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 subscription price payable upon the exercise of the 5,000,000 share options granted on 14 May 2015 is fixed at HK$33.8.

The 7,284,000 share options granted on 22 December 2015, among which 569,000 share options were outstanding as at 1 January 2020, shall be exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025.

The subscription price payable upon the exercise of the 7,284,000 share options is fixed at HK$19.0.

OTHER INFORMATION

SHARE CONSOLIDATION AND CHANGE OF COMPANY NAME

The Company passed an ordinary resolution at the extraordinary general meeting held on 3 January 2020 ("**EGM**") to implement a share consolidation (the "**Share Consolidation**") on the basis that every twenty issued and unissued shares of US$0.001 each in the share capital of the Company be consolidated into one consolidated share of US$0.02 each in the share capital of the Company. The board lot size for trading the consolidated shares remains as 2,000. The Share Consolidation became effective on 7 January 2020.

Meanwhile, at the EGM, the Company passed a special resolution to change the company name. The English name of the Company has been changed from "Huiyin Smart Community Co., Ltd." to "Qidian International Co., Ltd." and its dual foreign name in Chinese has been changed from "汇银智慧社区有限公司" to "奇点国际有限公司". The change of name became effective on 3 January 2020.

The stock short name of Shares for trading on the Stock Exchange has been changed from "HUIYIN SMARTCOM" to "QIDIAN INTL" in English and from "匯銀智慧社區" to "奇點國際" in Chinese. The aforesaid changes became effective on 17 February 2020.

For details of the Share Consolidation, change of company name and stock short name and effects of the change of company name, please refer to the announcements/circular dated 3 December 2019, 15 December 2019, 3 January 2020 and 11 February 2020 respectively.

ISSUE AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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

The gross proceeds from the Subscription was approximately HK$27.7 million. After deducting related professional fees and all related expenses of approximately HK$0.4 million borne by the Company under the Subscription, the net proceeds from the Subscription amounted to approximately HK$27.3 million. As at 30 June 2020, approximately HK$19.6 million of the net proceeds raised from the Subscription were applied in accordance with the planned use of proceeds as set out the announcement of the Company dated 18 May 2020. The unused proceeds of approximately HK$7.7 million are intended to be used to settle the trade and bills payables and as general working capital to finance the Group's businesses and fund potential developments during the third quarter of 2020. The Directors are not aware of any material change or delay in the use of proceeds.

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

OTHER INFORMATION

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

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 2020, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")) which 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	28,455,000 shares (L)	18.69%

(L) Denotes long position

Note:

The 28,455,000 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd. which was owned by Mr. Yuan Li, an Executive Director as to 40.21%.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the interests or short positions of those persons (other than Directors or chief executives whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd.(Note 1)	The Company	Interest of controlled corporation	28,455,000 shares (L)	18.69%
Noble Trade International Holdings Limited* (聖行國際集團有限公司)(Note 1)	The Company	Beneficial owner	28,455,000 shares (L)	18.69%
Chongqing Saint Information Technology Co., Ltd. (重慶聖商信息科技有限公司)(Note 1)	The Company	Interest of controlled corporation	28,455,000 shares (L)	18.69%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司)(Note 2)	The Company	Beneficial owner	18,400,210 shares (L)	12.08%
Sun Yan (孫燕)(Note 2)	The Company	Interest of controlled corporation	18,400,210 shares (L)	12.08%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司)(Note 3)	The Company	Interest of controlled corporation	13,095,000 shares (L)	8.60%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司)(Note 3)	The Company	Interest of controlled corporation	13,095,000 shares (L)	8.60%
BOCE (Hong Kong) Co., Limited(Note 3)	The Company	Beneficial owner	13,095,000 shares (L)	8.60%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司)(Note 4)	The Company	Beneficial owner	11,955,181 shares (L)	7.85%
Cao Kuanping(Note 4)	The Company	Interest of controlled corporation	11,955,181 shares (L)	7.85%
Mao Shanzhen (Note 4)	The Company	Spouse interest	11,955,181 shares (L)	7.85%

(L) Denote long position

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

(1) The 28,455,000 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an Executive Director as to 40.21%.

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

(3) 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%.

(4) 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period from 1 January 2020 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 2020.

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 2020.

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.

OTHER INFORMATION

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 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 of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 June 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 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 2020.

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 occurred after the reporting period.

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 25 August 2020

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	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	4	**1,263**	1,340
Equity investment designated at fair value through other comprehensive income		**600**	600
		251,226	267,819
Current assets			
Inventories	5	**55,610**	77,251
Trade and bills receivables	6	**8,117**	8,878
Prepayments, deposits and other receivables	7	**67,990**	74,794
Restricted bank deposits	8	**13,514**	23,242
Cash and cash equivalents	9	**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	10	**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)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	13	**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	11	**111,700**	131,125
Accruals and other payables	12	**75,015**	44,257
Contract liabilities		**26,720**	29,350
Borrowings	13	**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

		Unaudited Six months ended 30 June	
	Notes	**2020 RMB'000**	2019 RMB'000
Revenue	14	**118,423**	229,003
Cost of sales		**(111,833)**	(204,992)
Gross profit		**6,590**	24,011
Other income	15	**4,066**	5,632
Other gains/(losses) – net	16	**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	18	**(6,218)**	(13,578)
Loss before income tax	17	**(56,623)**	(32,239)
Income tax expense	19	**(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	20	**(0.42)**	(0.24)
Dividends	21	**—**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 **RMB'000**	2019 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)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity holders of the Company							
	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 2019	16,766	1,803,618	28,007	55,395	(2,104,439)	(200,653)	22,787	(177,866)
Loss for the period	–	–	–	–	(30,323)	(30,323)	(1,978)	(32,301)
Total Comprehensive loss	–	–	–	–	(30,323)	(30,323)	(1,978)	(32,301)
Balance at 30 June 2019	16,766	1,803,618	28,007	55,395	(2,134,762)	(230,976)	20,809	(210,167)
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 the 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)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cash flows used in operating activities:		
Cash generated from/(used in) operations	14,393	(36,307)
Interest paid	(3,486)	(2,792)
Income tax paid	(63)	(145)
Net cash used in operating activities	10,844	(39,244)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(58)	—
Proceeds from disposal of property, plant and equipment	—	463
Proceeds from disposal of short term investments	—	366
Interest received	264	—
Net cash generated from/(used in) investing activities	206	829
Cash flows from financing activities:		
Proceeds from subscription of new shares	25,439	—
Advance from third parties and related parties	50,000	86,113
Repayments of advance from third parties	(60,441)	143
Repayment of bank borrowings	—	(30,000)
Repayments of advance from a related party	(11,750)	—
Payment of lease liabilities	(9,874)	(11,702)
Net cash (used in)/generated from financing activities	(6,626)	44,554
Increase in cash and cash equivalents	4,424	6,139
Cash and cash equivalents at beginning of the period	23,677	48,075
Exchange differences on cash and cash equivalents	—	(10)
Cash and cash equivalents at end of the period	28,101	54,204

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the Group's consolidated financial statements for the year ended 31 December 2019.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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 minimise potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Financial assets		
Equity investment designated at fair value through other comprehensive income	**600**	600
Financial assets at amortised cost	**55,155**	59,437
Financial liabilities		
Financial liabilities at amortised cost	**694,180**	721,488

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(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 2020 and 2019.

As at 30 June 2020, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	Unaudited 30 June 2020		Audited 31 December 2019	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Cash and bank balances	**66**	**171**	617	275
Accruals and other payables	**18,440**	**6,994**	11,914	5,384
Borrowings	**8,300**	**30,670**	8,027	29,525

As at 30 June 2020, if RMB had weakened/strengthened by 5% (2019: 5%), against HK Dollar with all other variables held constant, pre-tax loss for the period would have been approximately RMB1,334,000 higher/lower (2019: pre-tax loss for the year RMB966,000), 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 2020, borrowings at fixed rates comprise other borrowings/advances of approximately RMB389,285,000 (31 December 2019: RMB403,021,000). Borrowings at fixed rates exposed the Group to fair value interest rate risk. The Group did not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 16.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(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 carry significant exposure to credit risk.

(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 2020 and 31 December 2019.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(d) Credit risk *(Continued)*

(ii) Receivables (Continued)

(I) 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.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 June 2020:

	Unaudited At 30 June 2020			Audited At 31 December 2019		
	Expected loss rate	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not yet due)	**0.94%**	**1,740**	**16**	0.64%	2,026	13
1-8 months past due	**3.41%**	**5,328**	**182**	1.65%	5,741	95
9-20 months past due	**16.1%**	**1,105**	**178**	38.50%	1,373	529
Over 21 months past due	**100%**	**1,561**	**1,561**	87.90%	1,434	1,259
		9,734	**1,937**		10,574	1,896

As at 30 June 2020 and 31 December 2019, the Group's trade receivables with the aggregate gross carrying amount of RMB17,233,000 and RMB15,337,000, 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.

(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 are also described in Note 2.1.1.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(e) Liquidity risk *(Continued)*

	Contractual undiscounted cash flow					
	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 2020						
Non-derivative financial liabilities						
Other borrowings	293,303	107,718	6,010	–	407,031	396,804
Bonds payables	550	550	9,646	–	10,746	8,300
Trade and bills payables	111,700	–	–	–	111,700	111,700
Accruals and other payables	63,505	–	–	–	63,505	63,505
Other current liabilities	53,560	–	–	–	53,560	53,560
Lease liabilities	21,858	17,041	16,762	4,650	60,311	60,311
	544,476	125,309	32,418	4,650	706,853	694,180
As at 31 December 2019						
Non-derivative financial liabilities						
Other borrowings	375,748	52,840	3,414	–	432,002	415,576
Bonds payables	537	537	9,687	–	10,761	8,027
Trade and bills payables	131,125	–	–	–	131,125	131,125
Accruals and other payables	43,015	–	–	–	43,015	43,015
Other current liabilities	53,560	–	–	–	53,560	53,560
Lease liabilities	25,073	21,697	29,251	7,703	83,724	70,185
	629,058	75,074	42,352	7,703	754,187	721,488

Note:

The interest payments on borrowings are calculated based on borrowings held as at 30 June 2020 and 31 December 2019 without taking into account of future borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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 RMB28,101,000 as at 30 June 2020 (31 December 2019: RMB23,677,000) and equity attributable to owners of the Company of approximately (RMB332,545,000) as at 30 June 2020 (31 December 2019: (RMB302,523,000)), 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.

4. INTANGIBLE ASSETS

	Non-compete agreements RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening net book amount at 1 January 2019	—	297	297
Addition	—	1,197	1,197
Amortisation	—	(154)	(154)
Closing net book amount	—	1,340	1,340
At 31 December 2019			
Cost	4,970	9,604	14,574
Accumulated amortisation	(4,970)	(8,264)	(13,234)
Net book amount	—	1,340	1,340
Unaudited six months ended 30 June 2020			
Opening net book amount at 1 January 2020	—	1,340	1,340
Amortisation	—	(77)	(77)
Closing net book amount	—	1,263	1,263
At 30 June 2020			
Cost	4,970	9,604	14,574
Accumulated amortisation	(4,970)	(8,341)	(13,311)
Net book amount	—	1,263	1,263

The amortisation charge for the year is included in "administrative expenses"in the condensed consolidated interim income statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

5. INVENTORIES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Merchandise held for resale	59,081	81,592
Write-down of inventories for obsolescence	(3,471)	(4,341)
Total	55,610	77,251

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

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Included in cost of sales		
– Carrying amount of merchandise sold	111,240	431,723
– (Reversal of write-down)/Write down of inventories for obsolescence	(870)	(1,505)
	110,370	430,218

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

6. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

6. TRADE AND BILLS RECEIVABLES *(Continued)*

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 30 June 2020 RMB'000	Audited 31 December 2019 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 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. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 3.

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Prepayments to suppliers, net of provision	**34,772**	42,960
Rebate receivable from suppliers, net of provision(note (a))	**1,302**	1,652
Deposits	**517**	714
Value added tax recoverable	**27,795**	26,562
Others	**3,604**	2,906
	67,990	74,794

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

8. RESTRICTED BANK DEPOSITS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Pledged bank deposits	6,318	16,101
Frozen bank deposits	7,196	7,141
	13,514	23,242

As at 30 June 2020, restricted bank deposits of approximately RMB6,318,000 (2019: RMB16,101,000) had been pledged as collateral for the Group's bank acceptance bills of approximately RMB6,318,000 (2019: RMB16,101,000).

9. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Cash on hand		
– denominated in RMB	137	121
Cash at bank		
– denominated in RMB	27,727	22,664
– denominated in HK$	66	617
– denominated in US$	171	275
	27,964	23,556
	28,101	23,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

10. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 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 30 June 2020 RMB'000	Audited 31 December 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

12. ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 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 (note (3))	**—**	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

13. BORROWINGS

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

(a) BONDS PAYABLES

In 2015, the Company placed 4 bonds at a total nominal value of HK$10,000,000 to certain third party individuals. These bonds are unsecured, interest bearing at 6% per annum and with a term of 8 years. These bonds were initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(b) OTHER BORROWINGS

		30 June 2020			31 December 2019		
	Note	Principal RMB'000	Accrued interest RMB'000	Total RMB'000	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Independent third parties	(i)	252,158	7,888	260,046	312,599	7,768	320,367
Entities controlled by the chairman	(ii)	100,000	5,818	105,818	50,000	3,755	53,755
A related party	(iii)	—	269	269	11,750	179	11,929
A related company	(iv)	29,099	1,572	30,671	28,672	853	29,525
		381,257	15,547	396,804	403,021	12,555	415,576
Secured		247,779	7,354	255,133	307,570	7,354	314,924
Unsecured		133,478	8,193	141,671	95,451	5,201	100,652
		381,257	15,547	396,804	403,021	12,555	415,576

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

At 30 June 2020, the other borrowings were repayable as follows:

	30 June 2020			31 December 2019		
	Principal RMB'000	**Accrued interest RMB'000**	**Total RMB'000**	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Within 1 year or on demand	**282,158**	**11,145**	**293,303**	351,992	11,965	363,957
After 1 year but within 2 years	**94,099**	**3,963**	**98,062**	48,029	590	48,619
After 2 years but within 5 years	**5,000**	**439**	**5,439**	3,000	—	3,000
	381,257	**15,547**	**396,804**	403,021	12,555	415,576

(i) Independent third parties

As at 30 June 2020, the carrying amount of borrowings from independent third parties are approximately RMB260,046,000 and carried interest rates ranging from 5% to 6.5% per annum. The borrowings from independent third parties included borrowings from Mr. Wu Jipeng, who is a friend of the chairman, with carrying amount of approximately RMB255,133,000.

(ii) Entities controlled by the chairman

As at 30 June 2020, the carrying amount of borrowings from entities controlled by the chairman are approximately RMB 105,818,000 and carried interest rates ranging from 5% to 6.5% per annum.

(iii) A related party

As at 30 June 2020, the carrying amount of interest free borrowing from Mr. Yuan Yang who is a brother of the Chairman is approximately RMB269,000.

(iv) A Related Companies

As at 30 June 2020, the carrying amount of borrowing from HK Saint Next Investment Limited which is controlled by Mr. Yuan Yang, are approximately USD4,110,000 and carried interest rate of 5% per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

15. OTHER INCOME

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

16. OTHER GAINS/(LOSSES) – NET

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Losses on disposal of property, plant and equipment, net	**482**	(69)
Gains on disposal of subsidiaries	**—**	(98)
Gain on fair value change of derivative financial instruments	**(50)**	(67)
Penalty charge for late repayment of advance from equity investor of an associate	**—**	(2,312)
Others	**716**	—
	1,148	(2,546)

17. LOSS BEFORE INCOME TAX

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

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 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
Accrual/(reversal) of provision for obsolescence on inventories	**(870)**	(555)
Accrual/(reversal) of provision for impairment on trade receivables	**1,937**	1,168
Reversal of provision for advanced payment to supplier	**—**	122

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

18. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 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
Waive 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

19. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 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%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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	
	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 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.

21. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

22. CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, capital commitments in respect of the Group's investment in an associate are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
(i) Capital commitments in respect of its equity investment in Nanjing Ruihu Electronic Commercial Technology Co., Ltd. (Note a)	—	—
	—	—

Note:

(a) On 5 December 2016, Yangzhou Huiyin together with a third-party company set up Nanjing Ruihu Electronic Commercial Technology Co., Ltd. (南京瑞虎電子商務科技有限公司)("Ruihu") in Nanjing, Jiangsu Province, the PRC. Ruihu has registered capital of RMB200,000,000 of which Yangzhou Huiyin has agreed to subscribe for 49% of the equity interest.

The Group has not contributed any capital into Ruihu since its establishment. Ruihu also does not have any business activity since its incorporation.

Pursuant to the initial strategy agreement made between Ruihua (an independent equity investor) and the Group before establishment of Ruihu, the Group had agreed with Ruihua to make sure that the investment was safe and Ruihua could receive at least not less than the investment cost in respect of its return on investment.

In late December 2016, the Group entered into a supplementary agreement with an equity investor of Ruihu, Ruihua. The former director, Mr. Cao Kuanping, was also a party to the supplementary agreement. Pursuant to the supplementary agreement, Ruihua has a right to request the Group to purchase its 51% equity interest in any of the years from 2017 to 2020 at a purchase price equivalent to the investment cost made by Ruihua plus 8% per annum if Ruihu could not meet the target profit and certain requirements in any of the years from 2017 to 2019 as set out in the supplementary agreement. This right is derivative financial instrument. The initial fair value of the derivative of approximately RMB33,199,000 was recognised in 2016 and it was remeasured at fair value at the end of each reporting period with a loss/gain on fair value change recognised in profit or loss.

23. 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.