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 2021

FINANCIAL HIGHLIGHTS

(in RMB thousands, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Revenue	**161,840**	118,423
Gross profit	**16,179**	6,590
Gross profit margin	**10.0%**	5.6%
Loss before tax	**(29,038)**	(56,623)
Loss for the period	**(29,056)**	(56,679)
Loss for the period attributable to owners of the Company	**(26,122)**	(55,461)
Basic loss per share (RMB)	**(0.16)**	(0.42)

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 2021, together with the comparative figures for the six months ended 30 June 2020. 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 2021

	Notes	**Unaudited 30 June 2021 RMB'000**	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**122,371**	124,448
Right-of-use assets		**55,837**	65,692
Investment properties		**50,158**	50,665
Intangible assets		**1,112**	1,191
Equity investment designated at fair value through other comprehensive income		**600**	600
		230,078	242,596
Current assets			
Inventories		**52,130**	56,063
Trade and bills receivables	3	**8,132**	10,698
Prepayments, deposits and other receivables	4	**25,954**	54,412
Restricted bank deposits		**12,149**	14,438
Cash and cash equivalents		**19,003**	36,457
		117,368	172,068
Total assets		**347,446**	414,664
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	5	**29,174**	24,512
Reserves		**(346,998)**	(350,966)
		(317,824)	(326,454)
Non-controlling interests		**18,053**	20,987
Total equity		**(299,771)**	(305,467)

	Notes	**Unaudited 30 June 2021 RMB'000**	Audited 31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	8	**244,872**	373,027
Lease liabilities		**26,913**	34,048
Provision for reinstatement costs		**648**	648
		272,433	407,723
Current liabilities			
Trade and bills payables	6	**122,362**	127,198
Accruals and other payables	7	**56,848**	50,569
Contract liabilities		**22,833**	26,130
Borrowings	8	**93,606**	27,579
Lease liabilities		**16,849**	17,316
Other current liabilities		**53,560**	53,560
Provision for litigations		**8,642**	9,972
Provision for reinstatement costs		**84**	84
		374,784	312,408
Total liabilities		**647,217**	720,131
Total equity and liabilities		**347,446**	414,664

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	Unaudited Six months ended 30 June **2021** **RMB'000**	 2020 RMB'000
Revenue	9	**161,840**	118,423
Cost of sales		**(145,661)**	(111,833)
Gross profit		**16,179**	6,590
Other income	10	**4,888**	4,066
Other gains/(losses) – net		**4,495**	1,148
Selling and marketing expenses		**(25,253)**	(31,476)
Administrative expenses		**(16,694)**	(30,733)
Operating loss		**(16,385)**	(50,405)
Finance income		**13**	264
Finance costs		**(12,666)**	(6,482)
Finance costs – net	12	**(12,653)**	(6,218)
Loss before income tax	11	**(29,038)**	(56,623)
Income tax expense	13	**(18)**	(56)
Loss for the period		**(29,056)**	(56,679)
Attributable to:			
– Equity holders of the Company		**(26,122)**	(55,461)
– Non-controlling interests		**(2,934)**	(1,218)
		(29,056)	(56,679)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	14	**(0.16)**	**(0.42)**
Dividends	14	**—**	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Total comprehensive loss for the period	**(29,056)**	(56,679)
Attributable to:		
– Equity holders of the Company	**(26,122)**	(55,461)
– Non-controlling interest	**(2,934)**	(1,218)
	(29,056)	(56,679)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, 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, mobile phones, computers, import and general merchandise and provision of maintenance and installation services in the People's Republic of China (the "**PRC**").

The shares of the Company ("**Shares**") were listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 25 March 2010.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

(i) On 24 December 2020, Mr. Wu Jipeng (an independent third party) wrote a letter to the Company pursuant to which the Group was allowed not to make repayment of outstanding loans and accrued interest of RMB83,214,000 as at 30 June 2021. Under the letter, the repayment date is not earlier than 30 June 2023.

(ii) 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 RMB330 million for a period of 12 months from the date of approval of the audited financial statements for the year ended 31 December 2020.

Based on the Group's cash flow projections, which cover a period of twelve months from the date of the approval of these 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.

* For identification purpose only

Application of new and amendments to HKFRSs

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

For the six months ended 30 June 2021, the Group has applied all new and amendments to HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on or after 1 January 2021. The application of the new and amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current/prior periods and/or 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 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade receivables	**27,092**	29,314
Less: Provision for impairment	**(18,960)**	(18,876)
Trade receivables, net	**8,132**	10,438
Bills receivable	**—**	260
Trade and bills receivables, net	**8,132**	10,698

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

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

All 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
	2021	2020
	RMB'000	RMB'000
Prepayments to suppliers, net of provision	**18,780**	21,283
Other receivables	**3,244**	8,782
Deposits	**3,930**	810
Value added tax recoverable	**—**	23,478
Rebate receivable from supplier, net of provision	**—**	59
	25,954	54,412

The prepayments, deposits and other receivables of the Group are denominated in RMB and their carrying amounts approximate their fair values as at the reporting 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 2020	US$0.001	4,000,000,000	4,000,000	24,147
Share consolidation (a)	N/A	(3,800,000,000)	—	—
At 31 December 2020 and 1 January 2021	US$0.02	200,000,000	4,000,000	24,147
Increase of authorised shares (c)	US$0.02	400,000,000	8,000,000	48,297
At 30 June 2021		600,000,000	12,000,000	72,444
Issued and fully paid				
At 1 January 2020	US$0.001	2,537,960,017	2,537,960	16,766
Share consolidation (a)	N/A	(2,411,062,017)	—	—
Subscription of new shares (b)	US$0.02	55,835,120	1,116,702	7,746
At 31 December 2020 and 1 January 2021		182,733,120	3,654,662	24,512
Issuance of new shares (d)	US$0.02	36,546,624	730,932	4,662
At 30 June 2021		219,279,744	4,385,594	29,174

Notes:

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

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

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

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

6. TRADE AND BILLS PAYABLES

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

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 for both reporting periods.

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

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

7. ACCRUALS AND OTHER PAYABLES

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

8. BORROWINGS

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

9. REVENUE AND SEGMENT INFORMATION

(i) Revenue

The principal activities of the Group are mainly engaged in the retail of household appliance, mobile phone and computers and import and general merchandise and provision of maintenance and installation services in the PRC.

Disaggregation of revenue from contracts with customers:

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

(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 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	
	2021	2020
	RMB'000	RMB'000
Rental income from investment properties	**1,078**	1,053
Maintenance and repairment service	**3,340**	2,193
Other	**470**	820
	4,888	4,066

11. LOSS BEFORE INCOME TAX

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

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

12. FINANCE COSTS – NET

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

13. INCOME TAX EXPENSE

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

(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 2021 (2020: Nil).

(b) PRC enterprise income tax

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

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

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

15. INTERIM DIVIDENDS

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

16. LITIGATION AND CONTINGENCIES

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

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

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

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

(b) Litigations made by the Group against suppliers

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

REVENUE

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

Turnover of the Group comprises revenues by operations as follows:

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

COST OF SALES

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

GROSS PROFIT

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

OTHER INCOME

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

OTHER GAINS

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

SELLING AND MARKETING EXPENSES

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

ADMINISTRATIVE EXPENSES

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

OPERATING LOSS

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

FINANCE COSTS-NET

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

LOSS BEFORE INCOME TAX

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

INCOME TAX EXPENSE

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

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

TRADE AND BILLS RECEIVABLES

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

TRADE AND BILLS PAYABLES

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

GEARING RATIO AND THE BASIS OF CALCULATION

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

During the six months ended 30 June 2021, the Company has allotted and issued 36,546,624 new shares to a subscriber at the subscription price of HK$1.14 per subscription share. The net proceeds from the subscription amounted to approximately HK$691,000. The net proceeds were used to settle trade and bills payables and as general working capital of the Group. Details of which are set out in note 5(d) to the condensed consolidated interim finanical statements.

PLEDGING OF ASSETS

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

INVESTMENT PROPERTIES

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

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

FOREIGN CURRENCIES AND TREASURY POLICY

All the income and the majority of expenses of the Group were denominated in RMB. During the six months ended 30 June 2021, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

LITIGATION AND CONTINGENCIES

As at 30 June 2021, the details of the contingent liabilities of the Group are set out in note 16 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 2021.

EMPLOYMENT AND REMUNERATION POLICY

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

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

HUMAN RESOURCES

As at 30 June 2021, the Group had 355 employees, increased by 29.1% from 275 employees as at 31 December 2020.

SIGNIFICANT INVESTMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Group did not have any plans for future material investments and capital assets.

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

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

FUTURE OUTLOOK

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

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

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

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

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

2. CONTINUING TO PROMOTE CHANGES IN RETAIL CHANNELS

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

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

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

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

During the six months ended 30 June 2021, 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 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 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained a sufficient public float throughout the period from 1 January 2021 to 30 June 2021, and up to the date of this 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 2021.

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 after the reporting period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2021 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 2021

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.