奇点国际有限公司

QIDIAN INTERNATIONAL CO.,LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280

2023 INTERIM REPORT


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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yuan Li *(Chairman & Interim Chief Executive Office)*
Mr. Xu Xinying *(Vice-chairman)*
Mr. Zhuang Liangbao

NON-EXECUTIVE DIRECTOR

Ms. Xu Honghong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Yihua
Mr. Chen Rui
Mr. Fung Tak Choi

COMPANY SECRETARY

Ms. Wong Yuen Ki, *ACG, HKACG*

AUDIT COMMITTEE

Mr. Zhang Yihua *(Chairman)*
Mr. Chen Rui
Mr. Fung Tak Choi

REMUNERATION COMMITTEE

Mr. Zhang Yihua *(Chairman)*
Mr. Yuan Li
Mr. Chen Rui

NOMINATION COMMITTEE

Mr. Chen Rui *(Chairman)*
Mr. Zhang Yihua
Mr. Fung Tak Choi

AUTHORISED REPRESENTATIVES

Mr. Yuan Li
Ms. Wong Yuen Ki

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA

6/F, Huiyin Building
No. 539 Wenchang Zhong Road
Yangzhou City
Jiangsu Province
PRC

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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of China (Yangzhou Branch)
No. 541 Wenchang Middle Road
Yangzhou City
Jiangsu Province
PRC

Agricultural Bank of China (Wenchang Branch)
No. 334 Wenchang West Road
Hanjiang District
Yangzhou City
Jiangsu Province
PRC

China Construction Bank (Yangzhou Branch)
No. 398 Wenchang Middle 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 2023, under the combined effect of the release of the previous pentup demand, policy support and low base, China's macroeconomic recovery logged a rapid increase, with varying degree alleviating on multiple pressures from shrinking demand, supply shocks and weakening expectations, showing the operating characteristics of " bottom out".

BUSINESS REVIEW

On 9 June, four departments including the Ministry of Commerce jointly issued the *Notice on Promoting Green Smart Home Appliances Consumption in 2023* (《關於做好2023年促進綠色智能家電消費工作的通知》), in relation to the arrangement of work regarding promoting green smart home appliances consumption in 2023, which is, in the context of the continued recovery of the consumer market, conductive to stabilizing the overall consumption of home appliances and further releases consumption potential of green smart home appliances.

On 19 June, the *2023 China's Liquor Market Interim Research Report* (《2023中國白酒市場中期研究報告》) released by the China Alcoholic Drinks Association claimed that the liquor industry saw a structural recovery in the first half of the year, and transitioned from an era of capacity development to stock-based competition. Despite various issues such as high inventory and price inversion exist, it still presents a rational growing trend on the whole.

As a diversified retail sales enterprise integrating home appliance retail sales and liquor business, the Group continuously promotes optimization and improvement in various aspects such as alliance among different industries, aftersales and logistics support, enterprise culture, informatization system, digitalization and internal control system. The Group continuously promotes work in the aspects below:

1. UNDER DIFFERENTIATION OF DOMESTIC DEMAND, FOCUSING ON MARKETING AND PAYING ATTENTION TO MARKETING RETURN OF EMERGING CHANNELS

Under the macro environment of the slowdown of economic growth and frequent black swan events, corporates of consumer goods are facing greater challenges, which brings larger demand for differentiated and refined operations. Post-pandemic channels are changing obviously. In terms of online channels, traditional shelves' flow is decreasing, while channels like Douyin are rising rapidly and in the process of the development bonus period, and the content platform of Xiaohongshu has become the recommendation blue ocean of home appliances category. In terms of offline channels, despite pressures during the pandemic, there is an integration tendency of home appliance channel front-loading with home construction materials, constantly refining and expanding lower tier markets.

The Group, as a chain retailer in the third- and fourth-tier cities in the PRC, on the one hand, further explores channels for marketing, and on the other hand, promotes the transformation of various channels. In particular, the Group enhances offline customer experience through redecorating all stores, with comfortable, cozy offline experience as a breakthrough point, which speeds up the integration of multiple channels such as live streaming, short video, wechat community etc, so as to improve the Group's retail performance.

MANAGEMENT DISCUSSION AND ANALYSIS

2. DEVELOPING THE MAOTAI-FLAVOR LIQUOR BUSINESS AND STEADILY EXPLORING MAOTAI-FLAVOR LIQUOR SALES MARKET

According to the *Report of China's Maotai-flavor Liquor Industry Development* (《中國醬酒產業發展報告》), in 2022, the production capacity of China's Maotai-flavor Liquor was approximately 700,000 kiloliters, increased by 16.7% year-on-year, accounted for approximately 10.43% of China's total liquor production of 6,712,000 kiloliters, and achieved sales income of RMB210 billion, increased by 10.5% year-on-year, representing approximately 31.69% of China's total liquor sales income, with profits of approximately RMB87 billion, increased by 11.5% year-on-year, which accounted for approximately 39.51% of China's total liquor profit of RMB220.17 billion. "Maotai-flavor Liquor craze" is regarded as a significant structural adjustment within the liquor industry, which have changed liquor brand, category, flavor and price as well as other patterns.

During the reporting period, the Company opened Maotai-flavor Liquor business line on top of home appliances retail business, diversified its retail business and developed a secondary growth curve for business growth, thus steadily enhancing the profitability of the Company. Guizhou Renhuai Guofeng Liquor Company Limited (貴州仁懷國峰酒業有限公司) ("Guizhou Guofeng"), a subsidiary of the Company in liquor industry, launched the exclusive Guofeng Maotai-flavor Liquor (國峰醬酒), which aims at mid-to-high-end market. Being overseen by various China liquor consultants in production technology processes, the Guofeng Maotai-flavor Liquor has guaranteed quality and higher value of collection and tasting. Currently, the Guofeng Maotai-flavor Liquor has gradually formed a multi-channel sales model, which consists of offline distributors + online store, livestreaming, sales on social media communities and private e-commerce. It will grasp the development potential opportunities of Maotai-flavor liquor, attract related distributors, increase sales and steadily improve the Company's performance.

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 the PRC's efforts to strengthen the fundamental role of consumption in economic development, high-quality consumption has been comprehensively promoted. On the demand front, there were 180 million new middle-class consumers in China, and the number of middle-class families reached 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 a comfortable home and promoting the sale of green and environmental-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 effort in selecting healthy and smart home appliances with extra emphasis on the health and smart functions and product personalization demands. As a part of its diversified home appliance marketing strategy, the Group introduced mid-to-high-end products for white home appliances (such as refrigerators, washing machines and air-conditioners) and continuously introduced integrated stoves, dishwashers and embedded products for kitchen appliances.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2023, the Group's revenue was approximately RMB140.7 million, representing an increase of 9.5% from approximately RMB128.5 million for the six months ended 30 June 2022.

Turnover of the Group comprising revenues by operations is as follows:

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Types of goods and services		
Sales of home appliances	**121,667**	126,815
Sales of liquor	**17,235**	—
Maintenance and installation service	**1,835**	1,637
Total revenue	**140,737**	128,452

COST OF SALES

For the six months ended 30 June 2023, the cost of sales of the Group was approximately RMB116.3 million, increased by 3.1% from approximately RMB112.8 million for the six months ended 30 June 2022, which was due to an increase of sales volume.

GROSS PROFIT

For the six months ended 30 June 2023, the gross profit of the Group was approximately RMB24.4 million, increased by 55.4% from approximately RMB15.7 million for the six months ended 30 June 2022.

OTHER INCOME

For the six months ended 30 June 2023, other income recorded by the Group amounted to approximately RMB4.0 million, representing an increase of 29.0% in comparison to approximately RMB3.1 million for the six months ended 30 June 2022.

OTHER GAINS

For the six months ended 30 June 2023, the Group recorded other net gains of approximately RMB103.4 million, of which the revenue of disposal of subsidiaries amounted to approximately RMB104.2 million, as compared to approximately RMB0.5 million for the six months ended 30 June 2022.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2023, the Group's total selling and marketing expenses amounted to approximately RMB22.0 million, representing an increase of 15.8% from approximately RMB19.0 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the Group's total administrative expenses amounted to approximately RMB12.2 million, decreased by 41.3% from approximately RMB20.8 million for the six months ended 30 June 2022.

OPERATING PROFIT

For the six months ended 30 June 2023, the operating profit amounted to approximately RMB97.6 million, increased by 573.8% from the operating loss of approximately RMB20.6 million for the six months ended 30 June 2022.

FINANCE COSTS-NET

For the six months ended 30 June 2023, the net financial cost of the Group amounted to approximately RMB12.0 million, representing an increase of 0.8% in comparison to approximately RMB11.9 million for the six months ended 30 June 2022.

PROFIT BEFORE INCOME TAX

For the six months ended 30 June 2023, the profit before income tax amounted to approximately RMB85.6 million, while the loss before income tax was approximately RMB32.5 million for the six months ended 30 June 2022.

INCOME TAX EXPENSE

For the six months ended 30 June 2023, the income tax expense of the Group amounted to approximately RMB36,000, while the income tax credit was approximately RMB6,000 for the six months ended 30 June 2022.

REVENUE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The revenue attributable to equity holders of the Company for the six months ended 30 June 2023 was approximately RMB86.6 million, while there was loss attributable to equity holders of approximately RMB31.8 million for the six months ended 30 June 2022.

CASH AND CASH EQUIVALENTS

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB33.3 million, representing an increase of 296.4% from approximately RMB8.4 million as at 31 December 2022.

INVENTORIES

As at 30 June 2023, the Group's inventories amounted to approximately RMB52.1 million, representing an increase of 25.2% from approximately RMB41.6 million as at 31 December 2022.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2023, prepayments, deposits and other receivables of the Group amounted to approximately RMB28.1 million, representing a decrease of 27.8% from approximately RMB38.9 million as at 31 December 2022.

TRADE AND BILLS RECEIVABLES

At 30 June 2023, trade and bills receivables of the Group amounted to approximately RMB4.6 million, representing an increase of 15% from approximately RMB4.0 million as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADE AND BILLS PAYABLES

At 30 June 2023, trade and bills payables of the Group amounted to approximately RMB23.5 million, representing a decrease of 81.0% from approximately RMB123.8 million as at 31 December 2022.

GEARING RATIO AND THE BASIS OF CALCULATION

As at 30 June 2023, gearing ratio of the Group was 339.8%, in comparison to 297.4% as at 31 December 2022. 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 2023, the Group's cash and cash equivalents (excluding the restricted cash) were approximately RMB33.3 million (31 December 2022: approximately RMB8.4 million).

The net current liabilities of the Group were approximately RMB5.5 million (31 December 2022: approximately RMB166.1 million), which consisted of current assets of approximately RMB127.0 million (31 December 2022: approximately RMB100.9 million) and current liabilities of approximately RMB132.5 million (31 December 2022: approximately RMB267.1 million).

The Group manages its capital structure to finance its overall operation by using different sources of funds. As at 30 June 2023, the interest-bearing borrowings of the Group amounted to approximately RMB406.9 million, decreased from approximately RMB433.3 million as at 31 December 2022. As at 30 June 2023, the Group's borrowings were denominated in RMB and Hong Kong Dollar with fixed interest rate ranging from 4.5% to 6.5%.

PLEDGING OF ASSETS

As at 30 June 2023, certain land use rights, buildings and investment properties with a total net book value of approximately RMB32.9 million had been pledged.

INVESTMENT PROPERTIES

The Group's investment properties as of 30 June 2023 represent certain properties receiving rental income during the reporting period. Details of the investment properties of the Group as at 30 June 2023 are as follows:

Address	Existing Use	Term of Lease
Building 6-10, No. 277 Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu, PRC	Shop	Medium-term lease

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCIES AND TREASURY POLICY

All the income and the majority of expenses of the Group were denominated in RMB. During the six months ended 30 June 2023, 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 2023, the Group had no significant contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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 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, the Group participates in different social welfare plans for the employees.

HUMAN RESOURCES

As at 30 June 2023, the Group had 255 employees, decreased by 4.5% from 267 employees as at 31 December 2022.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, 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 2023, the Group did not have any plans for future material investments and capital assets with established and legally enforceable contracts for the coming year.

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

The Group disposed all of the equity interests in 揚州來泰商貿集團有限公司 and its subsidiaries during the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

According to the Central Economic Work Conference in December 2022, in 2023, we will adhere to the principle of "steadiness", seek progress while maintaining stability, continue to implement a proactive fiscal policy and a prudent monetary policy, and maintain reasonable and sufficient liquidity. Proactive fiscal and prudent monetary policies support economic growth, which is a favorable pre-signal for the retail industry.

1. THE RECOVERY OF REAL ESTATE INDUSTRY STIMULATES THE MARKETING OF LARGE APPLIANCES

In the first four months of 2023, the sales area of commercial housing in China has decreased by 0.4% year-on-year, and the completed area has increased by 18.80% year-on-year, showing signs of recovery. At present, the real estate completion side maintains a rapid recovery speed, the sales side has cooled down, and the new construction and investment development are still sluggish. It is expected that there will still be stimulus measures in the follow-up policy to promote the steady recovery of real estate industry, boost the demand for home appliances, and drive the sentiment of the real estate chain to improve.

Home appliances have strong decoration attributes and are a typical industry of the latter real estate cycle. From the perspective of the transmission chain, large home appliance products such as kitchen appliances and white home appliances are more affected by real estate, while small home appliance products are relatively less affected. In general, the growth in the size of the home appliance market can be divided into volume and price growth, of which volume growth is mainly divided into new demand and renewal demand. The performance of real estate mainly affects the new housing demand in volume growth, as well as the increase in the household appliance ownership in existing homes and renewal demand.

In the future, the Group will, on the one hand, focus on analysing macro and relevant industry policies, and study the impact of policies on home appliance products. On the other hand, the Group will adjust its marketing strategies in a timely manner, and appropriately increase the sales of kitchen appliances, white appliances and other major home appliances according to the policies and increase sales.

2. STIMULATED BY TERMINAL DEMAND, CONTINUING TO STRENGTHEN THE INTEGRATION OF ONLINE AND OFFLINE CHANNELS

The "Government Work Report" in March 2023 mentioned that we must adhere to the strategy of expanding domestic demand, rely on the advantages of a significant scale market, focus on expanding consumption and effective investment, and continue to increase support for bulk consumption such as automobiles and home appliances. It specifically emphasized the further in-depth integration of dual-end consumption, aiming to increase the proportion of online market retail sales in total social consumption by nearly 12 percentage points to 27.2%, continued to promote the construction of urban and rural convenience commerce, and continuously improve the rural express logistics distribution system. Based on the goal of developing of online retail and improving the construction of the township logistics system in the Report, it is believed that the online and sinking market expansion of home appliances will continue to accelerate in the future, and continue to open up room for industry growth.

Stimulated by the demand for retail terminals, as a diversified retailer of home appliances in third- and fourth-tier cities, the Group will make full use of the policy dividends, and under the expansion of consumer demand, it will increase its efforts to promote channel reform, focus on the integration of online and offline channels, fully leverage on their own advantages of online and offline channels and be committed to improving the retail performance of home appliances.

MANAGEMENT DISCUSSION AND ANALYSIS

3. GRASPING THE OPPORTUNITY OF UPGRADING SMART HOME APPLIANCES AND ENHANCING THE DEVELOPMENT POTENTIAL OF THE SINKING MARKET

Since 2022, 13 departments including the Ministry of Commerce have introduced several measures to promote the consumption of green smart home appliances, which have played an active role in stabilizing the overall consumption of home appliances and releasing the consumption potential of green smart home appliances. From January to May 2023, the retail sales of household appliances and audio-visual equipment for units above the designated size was RMB313.3 billion, basically returning to the level of the same period last year.

The home appliance market is changing from supply-driven to demand-driven. Consumers have strong demand for upgraded consumption of green smart home appliances, and there is huge potential in sinking markets such as rural areas. In this context, the Group will fully grasp the opportunities for the upgrading and development of green smart home appliances, explore and study the development potential of the rural sinking market, actively deploy the rural sinking market, actively participate in large-scale home appliance consumption promotion activities to increase sales, expand market share, and enhance brand influence and reputation.

4. THE ONLINE AND OFFLINE EFFORTS IN MAOTAI-FLAVOR LIQUOR AREA CONTINUOUSLY IMPROVE RESULTS AND PROFITABILITY

According to the data from Lanjinger (藍鯨財經), the sales income of Maotai-flavor liquor industry will amount to RMB255.6 billion by 2026, with the average annual growth rate maintaining at 6.50%. As the Central Economic Work Conference held at the end of 2022 took the recovery of consumption as the primary development strategy, the Maotai-flavor liquor industry will embrace development opportunities under the economic recovery.

According to the "2023-2028 In-Depth Analysis and Investment Value Research and Consultation Report of the Maotai-flavor Liquor Industry (《2023-2028年醬香型白酒行業深度分析及投資價值研究諮詢報告》)" by the Zero Power Intelligence Research Institute (中研普華研究院), it is shown that 2023 will be a watershed in the development of Chinese liquor. In the context of a market where brand potential continues to strengthen, market competition will be unprecedentedly fierce.

In view of the multiple opportunities and challenges in the sustainable development of Maotai-flavor liquor industry, by making best use of the special nature of Maotai-flavor liquor, such as high social, strong demand, stable customer base and increasingly young customers, the Company will put efforts on online shopping malls, live broadcasts, private domain e-commerce and offline distributors, including reshaping consumption occasion, expanding customer source, innovating package design, brand operational ability and digital marketing, pay attention to consumer interaction, finally form a perfect closed loop of win-win, co-creation and sharing between distributors and consumers, and steadily enhance the competitiveness and market share of Maotai-flavor liquor.

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

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

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

ADOPTION OF THE 2023 SHARE AWARD SCHEME

On 15 June 2023, the Company adopted the 2023 share award scheme (the "**2023 Share Award Scheme**"), which shall be valid and effective for a term of 10 years commencing on the adoption date of the 2023 Share Award Scheme (the "**Adoption Date**"). As to the Adoption Date, the maximum number of Shares to be purchased and allocated pursuant to the 2023 Share Award Scheme on the Adoption Date will be 21,927,974 Shares, representing approximately 10% of the existing issued Shares of the Company (i.e. the Scheme Mandate Limit). Within the Scheme Mandate Limit, the total number of Shares which may be issued pursuant to awards to be granted to service provider participants under this Scheme is not more than 19,735,176 Shares (the "**Service Provider Sublimit**").

The details of the 2023 Share Award Scheme were disclosed in the announcements of the Company dated 16 February 2023, 17 May 2023 and the circular dated 22 May 2023.

During the six months ended 30 June 2023, there was no outstanding Share under the 2023 Share Award Scheme and no Share were granted, exercised, canceled or lapsed under the 2023 Share Award Scheme. It follows that, as of 30 June 2023, 21,927,974 Shares and 19,735,176 Shares were available for grant under the 2023 Share Award Scheme Limit and the Service Provider Sublimit, respectively.

AUTHORISED SHARE CAPITAL OF THE COMPANY

As at 30 June 2023, the authorised share capital of the Company was US$12,000,000 divided into 600,000,000 Shares.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBT SECURITIES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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/her connected entity had, whether directly or indirectly, a material interest.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Yuan Li(Note)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%

(L) Denotes long position

Note:

The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 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 40.44%.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2023, the interests or short positions of those persons (other than Directors or chief executives whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd.(Note 1)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Noble Trade International Holdings Limited* (聖行國際集團有限公司)(Note 1)	The Company	Beneficial owner	65,001,624 shares (L)	29.64%

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES OF THE COMPANY *(Continued)*

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) (Note 1)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Oupu Shanwei (International) Holdings Limited (歐普善偉 (國際)控股有限公司) (Note 2)	The Company	Beneficial owner	23,755,306 shares (L)	10.83%
Shan Weiwei (Note 2)	The Company	Interest of controlled corporation	23,755,306 shares (L)	10.83%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	The Company	Beneficial owner	23,400,210 shares (L)	10.67%
Sun Yan (Note 3)	The Company	Interest of controlled corporation	23,400,210 shares (L)	10.67%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (Note 4)	The Company	Beneficial owner	17,679,604 shares (L)	8.06%
Chen Bo (Note 4)	The Company	Interest of controlled corporation	17,679,604 shares (L)	8.06%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	The Company	Interest of controlled corporation	13,097,000 shares (L)	5.97%
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	The Company	Interest of controlled corporation	13,097,000 shares (L)	5.97%
BOCE (Hong Kong) Co., Limited (Note 5)	The Company	Beneficial owner	13,097,000 shares (L)	5.97%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司 (Note 6)	The Company	Beneficial owner	11,955,181 shares (L)	5.45%
Cao Kuanping (曹寬平) (Note 6)	The Company	Interest of controlled corporation	11,955,181 shares (L)	5.45%
Mao Shanzhen (茅善珍) (Note 6)	The Company	Spouse interest	11,955,181 shares (L)	5.45%

(L) Denote long position

OTHER INFORMATION

Notes:

(1) The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly 聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 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 40.44%.

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

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

(4) The 17,679,604 shares were held by Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) ("Teng Chun Tak Sing") as beneficial owner. Teng Chun Tak Sing was wholly-owned by Mr. Chen Bo.

(5) The 13,097,000 shares were held by BOCE (Hong Kong) Co., Limited ("BOCE") as beneficial owner. BOCE was wholly owned by Baoshi (Tianjin) E-commerce Company Limited which was owned by Tianjin Bohai Commodity Exchange Corporation as to 99%.

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the period from 1 January 2023 up to the date of this interim report, no Directors were 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 corporate governance, and the Board reviews and updates all necessary measures from time to time in order to promote good corporate governance.

Throughout the six months ended 30 June 2023, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in the Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the deviation from the code provision C.2.1 of the CG Code. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this report, Mr. Yuan Li acted as an executive Director and the chairman of the Board, and assumed the interim duties and responsibilities of the chief executive following the resignation of Ms. Liu Simei on 23 September 2022. However, having considered the nature and extent of the Company's operations, and Mr. Yuan Li's in-depth knowledge and experience in the industry and familiarity with the operations of the Company, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances thereby facilitating the execution of the Group's business strategies and boosting effectiveness of its operation, as well as enabling more effective planning and better execution of long-term strategies.

OTHER INFORMATION

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 each of the Directors has confirmed his/her compliance with the required standard set out in the Model Code during the six months ended 30 June 2023.

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

AUDIT COMMITTEE

During the six months ended 30 June 2023, the Audit Committee comprises the Independent Non-executive Directors, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi, including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

As of the date of this report, the composition of the Audit Committee is in compliance with related requirements of the Listing Rules. The Audit Committee has adopted the terms of reference in line with the Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of this report.

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 2023 to 30 June 2023, 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 2023.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 31 August 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,701**	87,472
Right-of-use assets		**618**	15,693
Investment properties		**24,975**	33,035
Intangible assets	4	**—**	718
Equity investment designated at fair value through other comprehensive income		**—**	600
		33,294	137,518
Current assets			
Inventories	5	**52,132**	41,647
Trade receivables	6	**4,574**	3,956
Prepayments, deposits and other receivables	7	**28,138**	38,899
Restricted bank deposits	8	**8,850**	8,058
Cash and cash equivalents	9	**33,267**	8,359
		126,961	100,919
Total assets		**160,255**	238,437
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**29,174**	29,174
Reserves		**(431,064)**	(517,676)
		(401,890)	(488,502)
Non-controlling interests		**17,598**	17,786
Total equity		**(384,292)**	(470,716)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	13	**406,898**	433,345
Lease liabilities		**4,882**	8,433
Provision for reinstatement costs		**311**	311
		412,091	442,089
Current liabilities			
Trade and bills payables	11	**23,540**	123,821
Accruals and other payables	12	**28,836**	38,488
Contract liabilities		**17,965**	19,115
Borrowings	13	**—**	8,886
Lease liabilities		**8,238**	10,577
Other current liabilities		**53,560**	53,560
Provision for litigations		**—**	12,280
Provision for reinstatement costs		**317**	337
		132,456	267,064
Total liabilities		**544,547**	709,153
Total equity and liabilities		**160,255**	238,437
Net current liabilities		**(5,495)**	(166,145)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
	Notes	2023 RMB'000	2022 RMB'000
Revenue	14	**140,737**	128,452
Cost of sales		**(116,345)**	(112,799)
Gross profit		**24,392**	15,653
Other income	15	**4,018**	3,061
Other gains, net	16	**103,405**	452
Selling and marketing expenses		**(21,995)**	(18,978)
Administrative expenses		**(12,241)**	(20,802)
Operating profit/(loss)		**97,579**	(20,614)
Finance income		**128**	102
Finance costs		**(12,151)**	(11,960)
Finance costs – net	18	**(12,023)**	(11,858)
Profit/(loss) before income tax	17	**85,556**	(32,472)
Income tax (expense)/credit	19	**(36)**	6
Profit/(loss) for the period		**85,520**	(32,466)
Attributable to:			
– Equity holders of the Company		**86,612**	(31,755)
– Non-controlling interests		**(1,092)**	(691)
		85,520	(32,466)
Earning/(loss) per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	20	**0.40**	(0.14)
Dividends	22	**—**	—

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Total comprehensive profit/(loss) for the period	**85,520**	(32,466)
Attributable to:		
– Equity holders of the Company	**86,612**	(31,775)
– Non-controlling interest	**(1,092)**	(691)
	85,520	(32,466)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022	29,174	1,885,248	28,007	55,395	(2,349,559)	(351,735)	18,844	(332,891)
Loss and total comprehensive loss for period	–	–	–	–	(31,775)	(31,775)	(691)	(32,466)
Balance at 30 June 2022	29,174	1,885,248	28,007	55,395	(2,381,334)	(383,510)	18,153	(365,357)
Balance at 1 January 2023	29,174	1,885,248	28,007	55,395	(2,486,326)	(488,502)	17,786	(470,716)
Loss and total comprehensive loss for period	–	–	–	–	86,612	86,612	(1,092)	85,520
Disposal of subsidiaries	–	–	–	–	–	–	904	904
Balance at 30 June 2023	**29,174**	**1,885,248**	**28,007**	**55,395**	**(2,399,714)**	**(401,890)**	**17,598**	**(384,292)**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Net cash generated from/(used in) operating activities	**14,297**	(20,247)
Net cash generated from investing activities	**62,137**	5,808
Net cash (used in)/generated from financing activities	**(51,526)**	15,241
Net increase in cash and cash equivalents	**24,908**	802
Cash and cash equivalents at beginning of period	**8,359**	14,619
Cash and cash equivalents at end of period	**33,267**	15,421
Analysis of balances of cash and cash equivalents		
Bank and cash balances	**33,267**	15,421

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

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 the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

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 and the liquor business 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 2022 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's current liabilities exceeded its current assets by approximately RMB5,495,000 as at 30 June 2023. 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 depends on the ongoing availability of finance to the Group, including the financial support from the parent company of a substantial shareholder of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

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) The Company obtained financial support from 重慶聖商信息科技有限公司 (Chongqing Saint Information Technology Co., Ltd.*) ("Chongqing Saint"), the parent company of a substantial shareholder of the Company (i.e. Noble Trade International Holdings Limited), under which Chongqing Saint has given an irrevocable undertaking that it would provide financial support (including financial support provided) to the Group to meet its financial obligations for a maximum amount of RMB400 million for a period of 18 months from the date of approval of the audited financial statements for the year ended 31 December 2022.

(ii) The Group will continue to carry out cost control measurement in the forthcoming years, including but not limited to reducing discretionary expenses and administrative costs.

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 taking 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 its 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.

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 2022, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 30 June 2023 are consistent with those adopted in the preparation of audited financial statements for the year ended 31 December 2022.

For the six months ended 30 June 2023, 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 2023. 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.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT

3.1. FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Financial assets		
Equity investment designated at fair value through other comprehensive income	**—**	600
Financial assets at amortised cost	**49,757**	22,351
Financial liabilities		
Financial liabilities at amortised cost	**520,567**	659,066

(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 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(b) Foreign exchange risk *(Continued)*

As at 30 June 2023, the carrying amount of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	Unaudited 30 June 2023		Audited 31 December 2022	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Cash and bank balances	**6,750**	**52**	1,601	56
Accruals and other payables	**—**	**—**	(17,755)	—
Borrowings	**(55,111)**	**—**	(33,342)	—
	(48,361)	**52**	(49,496)	56

As at 30 June 2023, if RMB had weakened/strengthened by 5% (2022: 5%), against HK Dollar with all other variables held constant, pre-tax loss for the period would have been approximately RMB2,418,000 higher/lower (2022: pre-tax loss for the year RMB2,475,000), 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.

As at 30 June 2023, if RMB had weakened/strengthened by 5% (2022: 5%). against US$ with all other variables held constant, pre-tax loss for the year would not material (2022: Nil), mainly as a result of foreign exchange gains/losses on translation of US$ 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 2023, other borrowings/advances of approximately RMB406,898,000 (31 December 2022: RMB442,231,000). Borrowings at fixed rates exposed the Group to fair value interest rate risk. The Group did not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 13.

(d) Credit risk

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(d) Credit risk *(Continued)*

(i) Bank balances

The credit risk on bank balance is limited because the counterparties are banks with high credit ratings. Accordingly, no loss allowance was provided in respect of bank balances as at 30 June 2023 and 31 December 2022.

(ii) Receivables

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

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

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

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

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

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

As at 30 June 2023 and 31 December 2022, the Group's trade receivables with the aggregate gross carrying amount of RMB5,052,000 and RMB24,460,000, respectively were assessed on individual basis. These trade receivable balances were considered as credit impaired and were fully impaired.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(e) Liquidity risk

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

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

	Contractual undiscounted cash flow						
	Weighted average interest rate %	Within 1 year or demand RMB'000	More than 1 year but Less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying Amount RMB'000
As at 30 June 2023							
Non-derivative financial liabilities							
Other borrowings	**4.98%**	**—**	**66,905**	**453,642**	**—**	**520,547**	**406,898**
Trade and bills payables	**—**	**23,540**	**—**	**—**	**—**	**23,540**	**23,540**
Accruals and other payables	**—**	**27,674**	**—**	**—**	**—**	**27,674**	**27,674**
Other current liabilities	**—**	**53,560**	**—**	**—**	**—**	**53,560**	**53,560**
Lease liabilities	**7.58%**	**8,985**	**5,130**	**—**	**—**	**14,115**	**13,120**
		113,759	**72,035**	**453,642**	**—**	**639,436**	**524,792**
As at 31 December 2022							
Non-derivative financial liabilities							
Other borrowings	5.26%	—	—	472,364	—	472,364	433,345
Bonds payables	12.6%	10,005	—	—	—	10,005	8,886
Trade and bills payables	—	123,821	—	—	—	123,821	123,821
Accruals and other payables	—	20,444	—	—	—	20,444	20,444
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	8.96%	11,682	6,597	2,389	—	20,668	19,010
		219,512	6,597	474,753	—	700,862	659,066

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1. FINANCIAL RISK FACTORS *(Continued)*

(e) Liquidity risk *(Continued)*

Note:

The interest payments on borrowing are calculated based on borrowings held as at 30 June 2023 and 31 December 2022 without taking into account of future borrowings.

3.2. CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Group consists of cash and cash equivalents of approximately RMB33,267,000 as at 30 June 2023 (31 December 2022: RMB8,359,000) and equity attributable to owners of the Company of approximately (RMB401,890) as at 30 June 2023 (31 December 2022: (RMB488,502,000)), comprising issued share capital and reserves.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

4. INTANGIBLE ASSETS

	Computer software RMB'000
At 1 January 2022	
Cost	9,604
Accumulated amortisation	(8,567)
Net carrying amount	1,037
At 1 January 2022	1,037
Amortisation	(319)
At 31 December 2022	718
At 31 December 2022	
Cost	9,604
Accumulated amortisation	(8,886)
Net carrying amount	718
At 1 January 2023	
Cost	**9,604**
Accumulated amortisation	**(8,886)**
Net carrying amount	**718**
At 1 January 2023	**718**
Disposals	**(718)**
At 30 June 2023	**—**
At 30 June 2023	
Cost	**9,604**
Accumulated amortisation	**(8,886)**
Disposals	**(718)**
Net carrying amount	**—**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

5. INVENTORIES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Merchandise held for resale	**54,501**	48,130
Write-down of inventories for obsolescence	**(2,369)**	(6,483)
Total	**52,132**	41,647

6. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade receivables	**5,052**	24,460
Less: Provision for impairment	**(478)**	(20,504)
Trade receivables, net	**4,574**	3,956

The credit terms granted to customers by the Group ranges from 30 days to 90 days.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

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 2023 RMB'000	Audited 31 December 2022 RMB'000
0 - 90 days	3,194	3,668
91 - 365 days	841	271
1 year - 2 years	444	480
2 years - 3 years	355	766
Over 3 years	218	19,275
Total	5,052	24,460

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

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,858,000 (31 December 2022: RMB20,792,000) which are past due as at the reporting date. None of them is considered as in default.

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Prepayments to suppliers	24,063	36,062
Deposits	1,010	855
Value added tax recoverable	—	4
Staff advances	725	261
Others	2,340	1,717
	28,138	38,899

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

8. RESTRICTED BANK DEPOSITS

As at 30 June 2023, the amount of RMB8,850,000 is pledged as collateral for the Group's bills payables.

As at 31 December 2022, bank deposits of RMB108,000 were frozen by courts for certain legal proceedings against the Group. The remaining amount had been pledged as collateral for the Group's bill payables.

9. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Cash on hand		
– denominated in RMB	**2**	5
Cash at bank		
– denominated in RMB	**26,463**	6,697
– denominated in HKD	**6,750**	1,601
– denominated in USD	**52**	56
	33,265	8,354
Total cash and cash equivalent	**33,267**	8,359

10. SHARE CAPITAL OF THE COMPANY

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

	Par value	Number of ordinary Shares	Nominal value of ordinary Shares USD	Equivalent nominal value of ordinary Shares RMB'000
Authorised:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	US$0.02	600,000,000	12,000,000	72,444
Issued and fully paid				
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023		219,279,744	4,385,594	29,174

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

11. TRADE AND BILLS PAYABLES

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables		**15,690**	115,871
Bills payable	(b)	**7,850**	7,950
		23,540	123,821

Notes:

(a) At 30 June 2023, the bills payable were secured by bank deposits.

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

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
0 - 30 days	**5,961**	6,009
31 - 90 days	**2,315**	1,794
91 - 365 days	**4,547**	3,062
1 year - 2 years	**104**	1,730
2 years -3 years	**248**	4,473
Over 3 years	**2,515**	98,803
	15,690	115,871

The trade and bills payables are denominated in RMB and their carrying amounts were approximate to 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 2023

12. ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Salary and welfare payables	**1,699**	2,018
Accrued expenses	**20,918**	13,369
Deposits	**773**	3,885
Value added tax and other tax payables	**389**	14,159
Others	**5,057**	5,057
	28,836	38,488

13. BORROWINGS

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current			
Other borrowings	(b)	**406,898**	433,345
		406,898	433,345
Current			
Bond payables	(a)	**—**	8,886
		—	8,886
		406,898	442,231

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

13. BORROWINGS *(Continued)*

(a) BONDS PAYABLES

In 2015, the Company placed 2 bonds of HK$5,000,000 each for 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, of which HK$5,000,000 are due for repayment on 21 April 2023 and the remaining HK$5,000,000 are due for repayment on 27 May 2023.

(b) OTHER BORROWINGS

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Independent third parties	(i)	**51,292**	65,380
Entities controlled by the Chairman	(ii)	**177,672**	104,933
Shareholders	(iii)	**166,920**	263,032
Related parties	(c)	**11,014**	—
		406,898	433,345
Secured		**10,796**	10,190
Unsecured		**396,102**	423,155
		406,898	433,345

As 30 June 2023, the other borrowings were repayable as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year or on demand	**—**	—
After 1 year but within 2 years	**65,038**	—
After 2 years but within 5 years	**341,860**	433,345
	406,898	433,345

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

Notes:

(i) Independent third parties

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Party A	**10,796**	10,190
Party B	**40,496**	55,190
Total	**51,292**	65,380

Party A

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

In October 2021, Party A entered into a loan agreement with a subsidiary of the Group pursuant to which Party A granted a loan of approximately RMB5,532,000 (equivalent to HK$6,000,000) to the Group for a period of four years. The loan is secured and bearing interest at 5.5% per annum. On 6 June 2022, Party A entered into a loan agreement with a subsidiary of the Group pursuant to which Party A granted a loan of approximately RMB4,610,000 (equivalent to HK$5,000,000) to the Group for a period of three years. The loan is secured and bearing interest at 5.5% per annum.

Party B

During the period ended 30 June 2023, Party B entered into a loan agreement with a subsidiary of the Group amounted to RMB45,000,000. The loan is unsecured and bearing interest at 5% per annum, and repayment on 13 June 2024. On 26 December 2022, Party B agreed to extend the outstanding loans principal and interest which are due for repayment on or before 13 June 2025. During the period ended 30 June 2023, such subsidiary has been repaid RMB15,700,000 of the loan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

13. BORROWINGS *(Continued)*

(b) OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(ii) Entities controlled by the chairman

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
北京聖商創業科技有限公司 ("北京聖商")	**177,672**	104,933

On 4 January 2022, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB100,000,000. The loan is unsecured and bearing interest at 5% per annum, and repayment on 3 January 2024. On 21 August 2022, 北京聖商 agreed to extend the outstanding loans principal and interest which are due for repayment on or before 3 January 2026.

On 27 April 2023, 12 May 2023, 17 May 2023 and 22 May 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amount to RMB60,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 3 January 2026.

On 30 May 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amount to RMB25,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 28 May 2026.

On 2 June 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amount to RMB35,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 1 June 2026.

On 27 June 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amount to RMB10,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 26 June 2026.

During the period ended 30 June 2023, the Group has settled approximately RMB60,000,000 of borrowing.

(iii) Shareholders

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Chongqing Saint	**133,619**	239,879
Noble Trade International	**33,301**	23,153
	166,920	263,032

During the period ended 30 June 2023, Chongqing Saint entered into a loan agreement with subsidiaries of the Group pursuant to which Chongqing Saint granted a number loans with a total amount of RMB102,957,000 to the Group. The loans are unsecured and bearing interest ranging from 5% to 6.5% per annum. At 30 June 2023, the remaining outstanding loan were amounted to RMB133,619,000.

On 30 June 2023, Noble Trade International entered into a loan agreement with a subsidiary of the Group pursuant to which Noble Trade International granted a loan of RMB31,808,000 to the Group for a period of three years and the loan is unsecured and bearing interest to 4.5%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

13. BORROWINGS *(Continued)*

(c) A RELATED PARTY

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Mr. Yuan Yang	**11,014**	—

On 15 May 2023, Mr. Yuan Yang entered into a loan agreement with a subsidiary of the Group amount to RMB4,564,000 (equivalent to HK$4,950,000). The loans are unsecured and bearing at 5% per annum, and repayment on 14 May 2026.

On 15 June 2023, Mr. Yuan Yang entered into a loan agreement with a subsidiary of the Group amount to RMB6,408,000 (equivalent to HK$6,950,000). The loans are unsecured and bearing at 5% per annum, and repayment on 15 June 2026.

14. REVENUE AND SEGMENT INFORMATION

(i) REVENUE

Revenue represents fair value of the consideration received or receivable and for goods sold in normal course of business to customers, net of discounts and sales related taxes.

Disaggregation of revenue from contracts with customers is as follows:

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Types of goods and services		
Sales of home appliances	**121,667**	126,815
Sales of liquor	**17,235**	—
Rendering of services		
– Maintenance and installation service	**1,835**	1,637
Total revenue	**140,737**	128,452
Timing of revenue recognition		
A point in time	**140,737**	128,452

14. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment focuses on type of goods or services delivered or provided are as follows:

- Household appliance business— retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance; and

- Liquor business — trading of liquor.

No reporting segment identified by the CODM has been aggregated in arriving at the reportable segment of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Household appliance business RMB'000	Liquor business RMB'000	Total RMB'000
Six months ended 30 June 2023			
Revenue Sales to external customers	122,934	17,235	140,169
Segment results	3,264	(3,614)	(350)
Unallocated income			568
Unallocated expenses			(18,847)
Gain on disposal of subsidiaries			104,185
Profit before tax			85,556
Six months ended 30 June 2022			
Revenue Sales to external customers	128,452	—	128,452
Segment results	(32,472)	—	(32,472)
Unallocated income			—
Unallocated expenses			—
Loss before tax			(32,472)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

14. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Assets		
Household appliance business	**89,933**	229,133
Liquor business	**16,214**	—
Total segment assets	**106,147**	229,133
Unallocated corporate assets	**54,108**	9,304
Consolidated total assets	**160,255**	238,437
Liabilities		
Household appliance business	**56,393**	620,554
Liquor business	**7,078**	—
Total segment liabilities	**63,471**	620,554
Unallocated corporate liabilities	**481,076**	88,599
Consolidated total liabilities	**544,547**	709,153

15. OTHER INCOME

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Rental income from investment properties	**120**	1,868
Maintenance and repairment service	**—**	228
Activities income	**1,387**	—
Other	**2,511**	965
	4,018	3,061

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

16. OTHER GAIN, NET

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(Loss)/gain on disposal of property, plant and equipment, net	**(1,369)**	12
Gain on disposal of subsidiaries	**104,185**	—
Reversal for obsolescence on inventories	**125**	135
Reversal for impairment on trade and other receivables	**182**	53
Other	**282**	252
	103,405	452

17. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cost of merchandise sold	**116,122**	112,586
Employee benefit expenses - including the Directors' emoluments	**17,061**	11,678
Amortisation of right-of-use assets	**283**	10,815
Depreciation of property, plant and equipment	**2,237**	3,621
Depreciation of investment properties	**787**	461
Amortisation of intangible assets	**—**	75
(Reversal) for obsolescence on inventories	**(125)**	(135)
(Reversal) for impairment on trade receivables	**(182)**	(53)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

18. FINANCE COST - NET

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
Finance costs		
– Interest expenses on bank borrowings	**—**	38
– Interest expenses on other borrowings	**9,861**	9,754
– Interest expenses on bonds payables	**562**	510
– Net foreign exchange loss	**1,140**	49
Interest expenses on lease liabilities	**588**	1,609
	12,151	11,960
Finance income		
– Interest income on bank deposits	**(128)**	(102)
Finance costs – net	**12,023**	11,858

19. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Six months ended 30 June	
	2023 **RMB'000**	2022 RMB'000
PRC enterprise and withholding income taxes		
– Income tax expenses/(credit)	**36**	(6)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

19. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(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 2023 (2022: 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% (2022: 25%).

20. EARNING/(LOSS) PER SHARE

Basic and diluted earning/(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	
	2023	2022
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**86,612**	(31,755)
Weighted average number of ordinary shares in issue ('000)	**219,280**	219,280
Basic and diluted earning/(loss) per share (RMB)	**0.40**	(0.14)

The computation of diluted earning/(loss) per share for the six months ended 30 June 2023 and 2022 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 such assumed exercise would decrease the loss per share for both of the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

21. DISPOSAL OF SUBSIDIARIES

During the period ended 30 June 2023, the Group disposed of its entire interests in 揚州來泰商貿集團有限公司 (the "Company") and its subsidiaries, which in engaged in investment project in the PRC. The net assets of the Company and its subsidiaries at the date of disposal were as follow,

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	25,353
Right-of -use assets	4,009
Investment property	7,273
Equity Investment Designated at FVTOCI	600
Restricted bank deposit	108
Bank balances and cash	69
Trade payables	(102,418)
Accruals and other payables	(27,074)
Provision for litigation and reinstatement	(12,300)
Lease liabilities	(708)
Net liabilities disposal of	(105,088)
Cash consideration	1
Net liabilities disposal of	105,088
Non-controlling interest	(904)
Gain on disposal	104,185

Analysis of net cash outflow arising from disposal

	RMB'000
Cash received	1
Restricted bank deposits	(108)
Cash and cash equivalents	(69)
Net cash outflow	(176)

22. INTERIM DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil) and the Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023.