Jiyi Holdings Limited
集一控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1495)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of Directors (the "Directors") of Jiyi Holdings Limited (the "Company") (formerly known as "Jiyi Household International Holdings Limited") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, referred to as the "Group") for the year ended 31 December 2020 ("FY2020" or the "Reporting Period"), together with the comparative audited figures for the corresponding year ended 31 December 2019 ("FY2019") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue from contracts with customers	*4*	**446,915**	573,675
Cost of sales		**(390,844)**	(496,787)
Gross profit		**56,071**	76,888
Other income	*5*	**16,516**	8,114
Other gains and losses		**(4,160)**	915
Distribution and selling expenses		**(11,166)**	(13,123)
Administrative expenses		**(24,748)**	(21,429)
Reversal of/(provision for) impairment losses under expected credit loss model, net	*7*	**6,900**	(18,272)
Finance costs	*6*	**(26,194)**	(16,364)
Profit before tax		**13,219**	16,729
Income tax expense	*8*	**(2,759)**	(3,659)
Profit for the year	*9*	**10,460**	13,070
Earnings per share attributable to owners of the Company for the year			
– Basic *(RMB cents per share)*	*11*	**1.37**	1.89
– Diluted *(RMB cents per share)*	*11*	**1.33**	1.87

	2020	2019
	RMB'000	*RMB'000*
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Gain on revaluation upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of related income tax	**1,125**	22,590
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**3,060**	(493)
Other comprehensive income for the year, net of income tax	**4,185**	22,097
Total comprehensive income for the year	**14,645**	35,167
Profit for the year attributable to:		
– Owners of the Company	**9,911**	13,070
– Non-controlling interests	**549**	–
	10,460	13,070
Total comprehensive income for the year attributable to:		
– Owners of the Company	**14,096**	35,167
– Non-controlling interests	**549**	–
	14,645	35,167

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**33,027**	42,763
Right-of-use assets		**12,986**	7,886
Investment properties	*12*	**61,130**	59,040
Goodwill		**53,208**	–
Prepayment of acquisition of investment properties	*15*	**35,810**	–
Financial assets at fair value through profit or loss	*13*	**–**	19,407
Contract assets	*14*	**1,363**	3,987
Deferred tax assets		**2,886**	6,122
Non-current other receivables and deposits		**–**	6,722
		200,410	145,927
Current assets			
Inventories		**15,920**	12,068
Amounts due from related parties		**918**	24,320
Loan receivables		**–**	125,946
Trade and other receivables and prepayments	*15*	**497,277**	328,056
Contract assets	*14*	**342,807**	269,404
Financial assets at fair value through profit or loss	*13*	**18,087**	–
Bank balances and cash		**4,713**	24,209
		879,722	784,003
Total assets		**1,080,132**	929,930

	Notes	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and bills payables and other payables	*16*	**111,739**	131,335
Bank borrowings		**56,000**	113,400
Other borrowings		**8,356**	–
Lease liabilities		**1,967**	1,589
Convertible loan notes	*17*	**56,248**	91,496
Contract liabilities		**10,398**	7,541
Income tax payables		**18,030**	19,369
		262,738	364,730
Net current assets		**616,984**	419,273
Total assets less current liabilities		**817,394**	565,200
Non-current liabilities			
Bank borrowings		**113,223**	–
Lease liabilities		**8,819**	9,996
Deferred tax liabilities		**20,911**	19,642
		142,953	29,638
Net assets		**674,441**	535,562
Capital and reserves			
Share capital		**69,002**	58,208
Reserves		**604,866**	477,354
Equity attributable to owners of the Company		**673,868**	535,562
Non-controlling interests		**573**	–
Total equity		**674,441**	535,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Jiyi Holdings Limited, formerly known as Jiyi Household International Holdings Limited, (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The controlling shareholder of the Company and its subsidiaries (collectively referred as to the "Group") is Xinling Limited, a company incorporated in the British Virgin Islands ("BVI") which is wholly-owned by Ms. Hou Wei. The address of the Company's registered office was changed from Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands to Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands with effect from 16 December 2020 and the address of its principal place of business is Room 1405, 14/F., Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

With effect from 10 June 2020, the name of the Company was changed from "Jiyi Household International Holdings Limited" to "Jiyi Holdings Limited".

The Company is an investment holding company and the Group is principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and building engineering services in the People's Republic of China (the "PRC").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, in the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has early applied the Amendments to HKFRS 16 Covid-19 – Related Rent Concessions, which are mandatorily effective for annual reporting periods beginning on or after 1 June 2020.

Except as described below, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to entities where they apply hedge accounting to their benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group as the Group does not apply hedge accounting.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities**. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements**. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures**. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group does not have any London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) What is meant by a right to defer settlement;

  (ii) That a right to defer must exist at the end of the reporting period;

  (iii) That classification is unaffected by the likelihood that an entity will exercise its deferral right; and

  (iv) That only if an option at the discretion of the counterparty included in the terms of a convertible liability is itself an equity instrument in accordance with HKAS 32 Financial Instrument: Presentation would not affect the current or non-current classification of the liability.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The amendments require retrospective application.

The directors of the Company are currently assessing the impact of the amendments on the consolidated financial statements and whether existing loan agreement may require renegotiation.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (CODM), make decisions about resource allocation based on the revenue by types of goods or services delivered or provided and reviews reports on the financial performance of the Group as a whole. No other discrete financial information is reviewed by the CODM for the assessment of performance of the Group. Therefore, no other segment information is presented. The Group is currently organised into the following two revenue streams as follows:

1. Sale and distribution of merchandise
2. Provision of interior design and building engineering services

Segment revenues and results

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

Year ended 31 December 2020

	Sale and distribution of merchandise	Provision of interior design and building engineering services	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment Revenue			
Segment revenue	**220,225**	**245,621**	**465,846**
Less: Inter-segment sales	**(15,217)**	**(3,714)**	**(18,931)**
External sales	**205,008**	**241,907**	**446,915**
Segment cost of sales	**(192,391)**	**(198,453)**	**(390,844)**
Segment gross profit	**12,617**	**43,454**	**56,071**

Year ended 31 December 2019

	Sale and distribution of merchandise *RMB'000*	Provision of interior design and building engineering services *RMB'000*	Total *RMB'000*
Segment Revenue			
Segment revenue	228,133	371,194	599,327
Less: Inter-segment sales	(25,652)	–	(25,652)
External sales	202,481	371,194	573,675
Segment cost of sales	(180,458)	(316,329)	(496,787)
Segment gross profit	22,023	54,865	76,888

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements in the annual report. Segment gross profit represents the gross profit earned by or loss from each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, reversal of/provision for impairment losses under expected credit loss model, net and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at costs.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment gross profit are presented.

Geographical information

The Group's operations are located on the PRC (country of domicile) and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the relevant customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets *(Note)*	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**446,915**	573,675	**195,548**	110,933
Hong Kong	**–**	–	**1,976**	2,743
	446,915	573,675	**197,524**	113,676

Note: Non-current assets excluded financial assets at fair value through profit or loss, non-current other receivables and deposits and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**182,451**[1]	257,388[1]
Customer B	**N/A**	85,873[2]
Customer C	**57,843**[1]	N/A

[1] Revenue from provision of interior design and building engineering services segment.

[2] Revenue from both sale and distribution of merchandise and provision of interior design and building engineering services segment.

4. REVENUE

Disaggregation of revenue for contracts with customers:

	For the year ended 31 December 2020		
Segments	**Sale and distribution of merchandise**	**Provision of interior design and building engineering services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods and services			
Sale and distribution of merchandise			
– Building materials	**178,719**	**–**	**178,719**
– Home improvement materials	**9,040**	**–**	**9,040**
– Furnishings	**8,639**	**–**	**8,639**
– Online distribution and electronic marketing	**8,610**	**–**	**8,610**
Provision of interior design and building engineering services			
– Interior design	**–**	**3,748**	**3,748**
– Building engineering services	**–**	**238,159**	**238,159**
Total	**205,008**	**241,907**	**446,915**
Geographical markets			
The PRC	**205,008**	**241,907**	**446,915**
Timing of revenue recognition			
At a point in time	**196,398**	**–**	**196,398**
Over time	**8,610**	**241,907**	**250,517**
Total	**205,008**	**241,907**	**446,915**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2020		
	Segment revenue	**Adjustments and eliminations**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
Sale and distribution of merchandise	**220,225**	**(15,217)**	**205,008**
Provision of interior design and building engineering services	**245,621**	**(3,714)**	**241,907**
Total revenue	**465,846**	**(18,931)**	**446,915**

	For the year ended 31 December 2019		
Segments	Sale and distribution of merchandise	Provision of interior design and building engineering services	Total
	RMB'000	*RMB'000*	*RMB'000*
Types of goods and services			
Sale and distribution of merchandise			
– Building materials	153,107	–	153,107
– Home improvement materials	33,136	–	33,136
– Furnishings	16,238	–	16,238
Provision of interior design and building engineering services			
– Interior design	–	8,249	8,249
– Building engineering services	–	362,945	362,945
Total	202,481	371,194	573,675
Geographical markets			
The PRC	202,481	371,194	573,675
Timing of revenue recognition			
At a point in time	202,481	–	202,481
Over time	–	371,194	371,194
Total	202,481	371,194	573,675

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019		
	Segment revenue	Adjustments and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Sale and distribution of merchandise	228,133	(25,652)	202,481
Provision of interior design and building engineering services	371,194	–	371,194
Total revenue	599,327	(25,652)	573,675

5. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income from loan receivables	**14,598**	6,462
Bank interest income	**69**	170
Imputed interest income on contract assets/non-current deposits	**984**	343
Rental income	**805**	419
Sundry income	**60**	720
	16,516	8,114

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank borrowings	**9,641**	7,787
Effective interest expense on convertible loan notes	**15,428**	7,377
Interest on lease liabilities	**1,125**	1,200
	26,194	16,364

7. REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	2020	2019
	RMB'000	*RMB'000*
Impairment losses reversed/(recognised) on		
– loan receivables	**11,472**	(11,587)
– contract assets	**(2,891)**	(4,862)
– trade receivables	**(1,642)**	(1,663)
– amounts due from related parties	**13**	(184)
– other receivables and deposits	**26**	24
	6,900	(18,272)

8. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
PRC EIT		
Current tax	**7,696**	11,566
Overprovision in prior years	**(8,033)**	(4,421)
	(337)	7,145
Deferred tax	**3,096**	(3,486)
	2,759	3,659

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

The Company's subsidiary in the BVI was incorporated under International Business Companies Act of the BVI and is exempted from the BVI income tax.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2020 *RMB'000*	2019 *RMB'000*
Directors' remuneration	**2,718**	2,966
Other staff salaries, allowances and benefits in kind	**5,977**	6,062
Retirement benefit scheme contributions for other staff	**253**	943
Equity-settled share-based payment expenses for other staff	**49**	28
Total staff costs	**8,997***	9,999*
Auditor's remuneration	**1,150**	1,897
Cost of inventories recognised as expenses	**174,975**	180,482
Depreciation of property, plant and equipment	**7,210**	7,111
Depreciation of right-of-use assets	**1,669**	2,022
Equity-settled share-based payment expenses for customers and consultants	**1,303**	3,152
Provision for/(reversal of) write-down of inventories	**152**	(24)
Variable rental payments in respect of office premises and retail stores		
– Lease rental payment#	**653**	1,130
– Rental concession^	**(380)**	–
	273	1,130
Gross rental income from investment properties	**(805)**	(419)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**163**	72
	(642)	(347)

* In addition to the staff costs presented above, the Group also provides other non-monetary benefits (such as cars) to employees. During the year ended 31 December 2020, depreciation of property, plant and equipment in relation to these non-monetary benefits amounted to RMB418,000 (2019: RMB381,000).

^ During the year ended 31 December 2020, the amount represents concession rental from a landlord in relation to the compensation of outbreak of COVID-19 since January 2020. The Group elected to early adoption of the Amendments to HKFRS 16 "Covid-19 Related Rent Concession", the rental concession does not constitute lease modification.

The amount represents the short-term leases entered with lease term ended within one year.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**9,911**	13,070

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**722,343**	691,218
Effect of dilutive potential ordinary shares:		
Share options	**7,115**	7,513
Contingent issued shares	**18,340**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**747,798**	698,731

For the years ended 31 December 2020 and 2019, the convertible loan notes had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

12. INVESTMENT PROPERTIES

During the years ended 31 December 2020 and 2019, the Group leases out commercial property units under operating leases with rentals receivables monthly. The leases typically run for an initial period of 1 year to 15 years and no unilateral rights to extend the lease beyond initial period held by the Group and lessees. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Investment properties *RMB'000*
Fair Value	
At 1 January 2019	9,454
Transfer from property, plant and equipment	9,391
Transfer from right-of-use assets	1,114
Increase in fair value recognised in profit or loss	1,298
Increase in fair value recognised upon transfer from property, plant and equipment and right-of-use assets to investment properties in other comprehensive income	37,783
At 31 December 2019 and 1 January 2020	59,040
Transfer from property, plant and equipment	598
Transfer from right-of-use assets	68
Decrease in fair value recognised in profit or loss	(560)
Increase in fair value recognised upon transfer from property, plant and equipment and right-of-use assets to investment properties in other comprehensive income	1,984
At 31 December 2020	61,130

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Unlisted equity securities *(Note)*	**18,087**	19,407

Note: The amount represents investment in unlisted equity securities issued by Xinfeng Culture Media Limited (信豐文化傳媒有限公司). Pursuant to investment agreement, in view of the long stop date of the investment is 31 December 2021, the directors of the Company have classified the investment as current asset as at 31 December 2020. For further details, please refer to the announcement of the Company dated 19 February 2019.

14. CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Services contracts for provision of interior design and building engineering services	**351,923**	278,253
Less: allowance for credit losses	**(7,753)**	(4,862)
	344,170	273,391
Analysed as		
Non-current	**1,363**	3,987
Current	**342,807**	269,404
	344,170	273,391

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Trade receivables from contracts with customers:		
Due from third parties:		
– sale and distribution of merchandise	**80,884**	123,624
– interior design and building engineering services	**26,486**	111,766
Due from a related party:		
– sale and distribution of merchandise	**–**	462
	107,370	235,852
Less: allowance for credit losses	**(6,278)**	(4,636)
	101,092	231,216
Other receivables		
Contract performance deposits	**1,521**	4,871
Project tender deposits	**1,657**	1,293
Other deposits	**4,778**	4,556
Other tax recoverable	**7,404**	11,639
Rental deposits	**271**	559
Others	**31,063**	7,519
	46,694	30,437
Prepayments		
Prepayments for purchase of goods and provision of services	**349,491**	73,125
Prepayments for acquisition of investment properties	**35,810**	–
	385,301	73,125
Total trade and other receivables and prepayments	**533,087**	334,778
Analysed as		
Non-current	**35,810**	6,722
Current	**497,277**	328,056
	533,087	334,778

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates:

	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**29,582**	154,582
6 – 12 months	**10,455**	18,609
1 – 2 years	**29,652**	53,724
Over 2 years	**31,403**	4,301
	101,092	231,216

As at 31 December 2020, included in the Group's trade receivable are debtors with aggregate net carrying amount of approximately RMB61,055,000 (2019: RMB59,372,000) which are past due as at the reporting date. Out of the past due balances, RMB35,299,000 (2019: RMB8,920,000) has been past due 90 days or more and is not considered as in default by considering the background of the trade receivables and historical settlement arrangement of these trade receivables. The Group does not hold any collateral over the balances.

16. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**69,388**	83,639
Bills payables	**–**	10,000
	69,388	93,639
Other payables		
Salaries and staff welfare payables	**1,613**	894
Deposits received for building engineering services	**1,080**	5,808
Accrued construction costs	**4,284**	4,795
Other tax payables	**9,897**	9,514
Withholding income tax in respect of dividend payment	**16,000**	16,000
Other payables	**9,477**	685
Trade and bills payables and other payables	**111,739**	131,335

The following is an aged analysis of trade payables presented based on the invoice date.

	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**31,530**	42,233
6 to 12 months	**5,981**	20,933
Over 1 year	**31,877**	30,473
	69,388	93,639

The credit periods on purchases of goods and subcontracting services ranged from 0 to 180 days.

17. CONVERTIBLE LOAN NOTES

On 25 June 2019, the Company issued convertible loan notes in an aggregate amount of HK$102,100,000 (equivalent to approximately RMB89,817,000), bearing coupon interest of 6% per annum to eight independent third parties (the "CB holders"). The convertible loan notes are denominated in Hong Kong dollars. The convertible loan notes entitle the CB holders to convert them into ordinary shares of the Company at any time during the conversion period at a conversion price of HK$1.0 per convertible loan note, which is subject to the adjustments pursuant to the terms and conditions of the convertible loan notes as follows:

(i) a maximum of not more than one-third of the principal amount of the convertible loan notes held by such CB holders may be converted into conversion shares from the twelfth month after the issue of the convertible loan notes;

(ii) a maximum of not more than one-third of the principal amount of the convertible loan notes held by such CB holders may be converted into conversion shares from the fourteenth month after the issue of the convertible loan notes;

(iii) all the remaining of the principal amount of the convertible loan notes held by such CB holder may be converted into conversion shares from the sixteenth month after the issue of the convertible loan notes.

The convertible loan notes shall mature on the date falling eighteenth month after the date of issue. The Company may, at any time prior to the maturity date, redeem all or part of the outstanding convertible loan notes at the redemption price of 105% of the outstanding principal amount of the convertible loan notes before the first anniversary of the date of issue and 108.5% of the outstanding principal amount of the convertible loan notes after the first anniversary of the date of issue, together with the accrued interest incurred before the period from the redemption date and interest for the period from the redemption date to the maturity date at the rate of 6% per annum, by giving a prior notice of not less than thirty days to the CB holders of such convertible loan notes subject to the terms and conditions of the convertible loan notes. Any convertible loan notes outstanding on the maturity date shall be redeemed by the Company subject to the terms and conditions of the convertible loan notes.

At the maturity date (i.e. 24 December 2020), if the convertible loan notes have not been converted or redeemed, they will be redeemed at 108.5% of par, unless the CB holders and the Company mutually agree to extend the maturity date to 24 June 2021 ("Extension Period"). The CB holders shall exercise the conversion right to convert the convertible loan notes into conversion shares during the Extension Period at the conversion price of HK$1. Interest of 6% will be paid quarterly up until the settlement date.

At initial recognition, the equity component of the convertible loan notes amounted to approximately RMB2,811,000, net of the transaction cost attributable to equity component of approximately RMB16,000, was recognised separately from the liability component. The equity component is presented in equity as "convertible loan notes equity reserve". The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 16.50% per annum.

On 24 December 2020, 37,429,167 convertible loan notes with principal amount of approximately HK$37,429,000 (equivalent to RMB34,136,000) were converted into conversion shares at the conversion price of HK$1 and the remaining convertible loan notes of 64,670,833 are extended to 24 June 2021 as mutually agreed by the Company and the CB holders. Except for the above, all the other terms and conditions remain unchanged.

Details are set out in the Company's announcement dated 10 May 2019 and 24 December 2020.

As at the date of modification, taking into account the terms of the extension, the fair value of convertible loan notes was amounted to approximately HK$66,875,000 (equivalent to approximately RMB56,214,000), of which the fair value of liability component and equity component was amounted to approximately HK$66,842,000 (equivalent to approximately RMB56,186,000) and approximately HK$33,000 (equivalent to approximately RMB28,000) respectively. As a result, the Group recognised a gain on modification of convertible loan notes of approximately RMB2,796,000 in the consolidated statement of profit or loss and other comprehensive income and transferred the amount of approximately RMB1,798,000 from "convertible loan notes equity reserve" to "retained profits" in the consolidated statement of changes in equity for the year ended 31 December 2020.

The effective interest rate of the liability component for the extended convertible loan notes is 16.09% per annum.

The movement of the equity and liability components of the convertible loan notes for the year is set out below:

	2020	2019
	RMB'000	*RMB'000*
Equity component		
Carrying amount at the beginning of the year	**2,811**	–
Proceeds at the date of issuance	**–**	89,817
Liability component at the date of issuance	**–**	(86,990)
Transaction costs attributable to equity component	**–**	(16)
Transfer to retained earnings upon conversion	**(985)**	–
Transfer to retained earnings upon extension	**(1,798)**	–
Carrying amount at the end of the year	**28**	2,811
Liability component		
Carrying amount at the beginning year	**91,496**	–
Issuance of convertible loan notes on 25 June 2019	**–**	86,990
Transaction costs attributable to liability component	**–**	(506)
Interest charge	**15,428**	7,377
Interest paid	**(6,928)**	(4,508)
Converted into shares	**(34,136)**	–
Gain on modification of convertible loan notes	**(2,796)**	–
Exchange realignment	**(6,816)**	2,143
Carrying amount at the end of the year	**56,248**	91,496

18. Business combination

On 4 June 2020, the Group and the two independent third parties (the "Vendors") entered into the sale and purchase agreement, pursuant to which the Vendors have agreed to sell and the Group has conditionally agreed to acquire the sale shares, representing 100% of the issued share capital of Sino Legacy Investments Limited ("Sino Legacy"), which is principally engaged in investment holding with its subsidiaries (collectively as "Sino Legacy Group") engaged in the business of online distribution and electronic marketing service and provision of interior design and home decoration services in the PRC. The acquisition was completed on 26 August 2020 (the "Completion Date").

Pursuant to the sale and purchase agreement, the consideration is satisfied by issuance of shares in two tranches (the "Consideration Shares") in the following manner:

(i) The first tranche of Consideration Shares, being 85,800,000 ordinary shares of the Company (the "First Tranche Consideration Shares"), which were allotted and issued on the date of completion; and

(ii) The second tranche of Consideration Shares, being 52,440,000 ordinary shares of the Company (the "Second Tranche Consideration Shares"), will be allotted and issued on or before 30 April 2021 if the aggregate audited net profit after tax for the financial year ended 31 December 2020 of the operating subsidiaries in Sino Legacy Group will not be less than RMB4,000,000 (the "Minimum Profit"). In the event that the Minimum Profit could not be met, no Second Tranche Consideration Shares shall be allotted.

As at the Completion Date, the First Tranche Consideration Shares and Second Tranche Consideration Shares are representing to 10.34% and 6.32% of the enlarged ordinary shares of the Company, respectively.

At the Completion Date, the directors of the Company were of the opinion that the Minimum Profit would be met and that the Second Tranche Consideration Shares would be issuable under the contingent consideration share arrangement. In view of such, the fair value of the Second Tranche Consideration Shares was determined using share price of the Company at the Completion Date.

The fair value of the First Tranche Consideration Shares and Second Tranche Consideration Shares were valued using the share price of the Company at the Completion Date.

Acquisition-related costs amounting to approximately RMB356,000 have been excluded from the cost of the acquisition and have been recognised directly as an expense in the year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income as the amount is not material to overall performance of the Group.

The fair value of the identifiable assets and liabilities of Sino Legacy Group at the Completion Date was as follows:

	RMB'000
Property, plant and equipment	90
Right-of-use assets	62
Prepayment for acquisition of investment properties	35,810
Inventories	1,834
Trade receivables	352
Prepayments, deposit paid and other receivables	1,845
Cash and bank balances	196
Trade payables	(440)
Accrual and other payables	(2,481)
Receipt in advance	(1,131)
Contract liabilities	(193)
Lease liabilities	(65)
Deferred tax liabilities	(550)
Non-controlling interests	(24)
	35,305
Goodwill on acquisition	53,208
	88,513
Considerations satisfied by:	
Consideration shares issued at fair value	88,513
Net cash inflow arising on acquisition	
Cash and balances acquired	196

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The outbreak of the novel coronavirus ("COVID-19") epidemic throughout the year 2020 had adversely affected both the business segments of sale and distribution of merchandise and the provision of interior design and building engineering services to different extents. In the second half of 2020, the management team spent a great deal of effort in fostering its existing businesses and actively looking for new business opportunities, recovering and catching up with the Group's revenue and net profits being affected by the epidemic. As a result, despite the fact that there was a decrease in revenue and gross profit of the business segment of provision of interior design and building engineering services, the sale and distribution of merchandise had recorded an overall increase in revenue and gross profit by the end of the year. In FY2020, the provision of interior design and building engineering services segment accounted for 54% of the total revenue (2019: 65%), while the sale and distribution of merchandise segment accounted for 46% of the total revenue (2019: 35%).

Provision of interior design and building engineering services

The closure of construction sites under the prevention and control measures imposed by the local governments in the PRC in the first half of 2020 had delayed the progress of various interior design and building engineering projects and led to a decrease in revenue in the provision of interior design and building engineering services segment. The revenue generated from the provision of interior design and building engineering services decreased by approximately RMB129.3 million or approximately 34.8%, from approximately RMB371.2 million in FY2019 to approximately RMB241.9 million in FY2020. The Group also recorded a decrease in gross profit of approximately RMB11.4 million or approximately 20.8%, from approximately RMB54.9 million in FY2019 to approximately RMB43.5 million in FY2020. The gross profit margin increased from approximately 14.8% in FY2019 to approximately 18.0% in FY2020.

Sale and distribution of merchandise

The sale and distribution of merchandise remained a stable source of revenue to the Group. The management team worked very hard to meet sales and distribution targets in order to recover the significant drop in revenue and gross profit in the first half of 2020. In FY2020, the Group experienced an overall increase of approximately RMB2.5 million or approximately 1.2% in revenue from the sale and distribution of merchandise from approximately RMB202.5 million in FY2019 to approximately RMB205.0 million in FY2020, in particular, the revenue generated from sale of building materials had an increase of approximately 16.7%, and there is new stream of revenue generated from the provision of online distribution and electronic marketing of approximately RMB8.6 million arising from our newly acquired subsidiaries during the Reporting Period.

Overall, the Group recorded a consolidated net profit of approximately RMB10.5 million for FY2020, representing a decrease of approximately RMB2.6 million or approximately 19.8% as compared with consolidated net profit of approximately RMB13.1 million for FY2019. Such decrease was mainly resulted from the net effect of the decrease in gross profit generated from the business segment of the provision of interior design and building engineering services of approximately RMB20.2 million, offset by the reversal of impairment losses under expected credit loss model of approximately RMB6.9 million, as well as the increase in the other income of approximately RMB8.4 million.

FINANCIAL REVIEW

Revenue by business operations

The Group is a well-established integrated building and home improvement materials and furnishings supplier and interior design and building engineering services provider in the PRC. The Group is mainly engaged in the sale and distribution of merchandise and the provision of interior design and building engineering services.

The following table sets forth the breakdown of revenue by the Group's business segments for the Reporting Period with the comparative figures of FY2019:

	For the year ended 31 December		
	2020	2019	Changes
	RMB'000	*RMB'000*	*%*
Sale and distribution of merchandise			
– Building materials	**178,719**	153,107	**16.7**
– Home improvement materials	**9,040**	33,136	**(72.7)**
– Furnishings	**8,639**	16,238	**46.8**
– Online distribution and electronic marketing	**8,610**	–	**N/A**
	205,008	202,481	**1.2**
Provision of services			
– Interior design services	**3,748**	8,249	**(54.6)**
– Building engineering services	**238,159**	362,945	**(34.4)**
	241,907	371,194	**(34.8)**
Total	**446,915**	573,675	**(22.1)**

Total revenue of the Group decreased by approximately RMB126.8 million or approximately 22.1% from approximately RMB573.7 million for FY2019 to approximately RMB446.9 million for FY2020. Such decrease was mainly attributed to the decrease in revenue from the provision of building engineering service, and was partially offset by the increase in revenue from sale and distribution of building materials during the Reporting Period.

Revenue from sale of and distribution of merchandise

Revenue of the Group from sale and distribution of merchandise, comprising (i) sale of building materials; (ii) sale of home improvement materials; (iii) sale of furnishings; and (iv) online distribution and electronic marketing, recorded an overall slight increase by approximately RMB2.5 million or approximately 1.2% from approximately RMB202.5 million for FY2019 to approximately RMB205.0 million for FY2020. The overall increase was a combined result of the followings:

Sale of building materials

Revenue generated from the sale of building materials increased by approximately RMB25.6 million or approximately 16.7% from approximately RMB153.1 million for FY2019 to approximately RMB178.7 million for FY2020. Such increase was mainly due to the increase in sales of metallic material, offset by the decrease in sales of steel and cement during the Reporting Period.

Sale of home improvement materials

Revenue generated from the sale of home improvement materials decreased by approximately RMB24.1 million or approximately 72.8% from approximately RMB33.1 million for FY2019 to approximately RMB9.0 million for FY2020. The decrease was mainly due to the decrease in sales of board and plate, and ceramic products during the Reporting Period.

Sale of furnishings

Revenue generated from the sale of furnishings decreased by approximately RMB7.6 million or approximately 46.9% from approximately RMB16.2 million for FY2019 to approximately RMB8.6 million for FY2020. Such decrease was mainly due to the decrease in sales of electronic products and home decoration products during the Reporting Period.

Online distribution and electronic marketing

Revenue generated from the newly acquired subsidiaries through the provision of online distribution and electronic marketing services was approximately RMB8.6 million for FY2020. For further information of the said acquisition, please refer to the section headed "Material Investment, Acquisition and Disposal" below in this announcement.

Revenue from provision of services

Revenue from provision of interior design and building engineering services decreased by approximately RMB129.3 million or approximately 34.8% from approximately RMB371.2 million for FY2019 to approximately RMB241.9 million for FY2020. Such decrease was due to a decline in the scale of corporate projects, as well as a delay in the stage of completion of some construction engineering projects as a result of COVID-19 during the Reporting Period. However, the Board is optimistic in continuing to expand this business segment in the coming years, given the number and scale of future projects that are currently under negotiation.

Gross profit and gross profit margin

The following table sets forth the breakdown of gross profit and gross profit margin by the Group's business segments for the Reporting Period with the comparative figures of FY2019:

	For the year ended 31 December			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Sale and distribution of merchandise	**12,617**	**6.1**	22,023	10.9
Provision of interior design and building engineering services	**43,454**	**18.0**	54,865	14.8
Total	**56,071**	**12.5**	76,888	13.4

The revenue of the Group decreased by approximately RMB126.8 million or approximately 22.1% from approximately RMB573.7 million for FY2019 to approximately RMB446.9 million for FY2020, the Group's overall gross profit decreased by approximately RMB20.8 million or approximately 27.0% from approximately RMB76.9 million for FY2019 to approximately RMB56.1 million for FY2020. The decrease in the Group's overall gross profit was mainly due to the increase in the proportion of revenue generated from sale and distribution of merchandise with a comparatively lower gross profit margin during the Reporting Period.

The gross profit margin of provision of interior design and building engineering services increased from 14.8% for FY2019 to 18.0% for the Reporting Period, owing to better management and monitoring of construction progress which reduced construction costs. With the increasing volume of corporate projects and the expansion of market share, the Group believed that the gross profit margin of this business will gradually rise and become more stable.

The gross profit margin of the business of sale and distribution of merchandise decreased from 10.9% for FY2019 to 6.1% for FY2020, owing primarily to lower merchandise prices to retain old customers and attract new customers during the Reporting Period.

Distribution and selling expenses

The Group's selling expenses decreased by approximately RMB1.9 million or approximately 14.5% from approximately RMB13.1 million for FY2019 to approximately RMB11.2 million for the Reporting Period. Such decrease was due to reduced transportation costs in relation to bulk material trades, employee benefit expenses and advertising expenses during the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB3.3 million or approximately 15.4% from approximately RMB21.4 million for FY2019 to approximately RMB24.7 million for the Reporting Period. The increase was mainly due to an increase in other rental and management fee expenses and general administrative costs.

Finance costs – net

The Group's net finance costs increased by approximately RMB9.8 million or approximately 59.8% from approximately RMB16.4 million for FY2019 to approximately RMB26.2 million for the Reporting Period. The increase was mainly due to the increase in the finance costs arising from the convertible loan notes and bank and other borrowings during the Reporting Period.

Profit for the year

As a result of the foregoing, the Group's profit for the year slightly decreased by approximately RMB2.6 million or approximately 24.8% from approximately RMB13.1 million for FY2019 to approximately RMB10.5 million for the Reporting Period.

PROSPECTS

The global economy and local consumption expenditures in the year 2020 were negatively affected by the outbreak of COVID-19 and the prevention and control measures implemented by local governments around the world. Many businesses, including the Group, have been seriously impacted by the epidemic. Despite the decline in revenue, the Group has maintained a healthy net profit in FY2020, thanks to the efforts of the management team in safeguarding the existing businesses and expanding into new markets, as well as the implementation of successful cost control.

Throughout the year 2020, the Group has adopted a pragmatic and enterprising approach in our business strategies. Externally, in order to catch the opportunities arising from the business and economy recovery after COVID-19, the Group will continue to leverage its extensive experience and cost advantages on the development of the sale and distribution of the building and home improvement materials as well as furnishing products and in the provision of interior design and engineering services. The Group will also proactively seek for new project tenders and business opportunities with our corporate and governmental clients.

Internally, the Group will focus on reviewing and restructuring its business process, business and departmental functions, product-mix, and sales strategies to enhance efficiency in terms of management, strategy implementation, cost controls and effectiveness on sales and distribution, customer servicing and retention etc.

The Group will continue to expand and further develop its retail and domestic interior design and home decoration market in the Guangdong-Hong Kong-Macao Greater Bay Area. In order to achieve this strategic objective, the Group established offices in Guangzhou and Shenzhen in 2020, enabling the Group to fully leverage these offices to expand the business of the sale and distribution of the building, home improvement materials and furnishing products, bulk material trades, supply chain management and financing services, online and e-marketing distribution consulting and advisory services, as well as the provision of internal design and engineering services, etc.. Furthermore, the Group is also considering relocating its PRC headquarter from Meizhou to Shenzhen by the end of 2021, with an aim to obtain more project tenders and business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group strive to invest on building online distribution and e-marketing channels, on top of the traditional retail and wholesale distribution channels, to sell and distribute its building materials, home improvement materials and furnishing products. The Group is looking for investment opportunities to improve the Group's service capabilities and capacity of the business segment of sale and distribution of merchandise through enhancing the Group's digital transformation on its traditional distribution channels, and to enlarge the market share and scale of sales of the Group, which is beneficial to the Group and the shareholders as a whole in the long run.

Moreover, in view of the growing demand for digital health management platform that consolidates healthcare big data and provides meaningful solution and advice to personal health management and monitoring, the Group is eager to make an effort to contribute to the growth of the healthcare sector by investing into health management platform projects and initiatives. The Group seeks to build the business of "Healthy Household" market by including an element of healthcare in its household projects. The Group is looking for investment opportunities to improve access and experience of healthcare for household consumers of the Company, create substantial value across the "Healthy Household" ecosystem and enable the Company to offer higher quality, personalized, technology-enabled longitudinal services that improves outcomes at lower costs across the full spectrum of household projects.

The Group is also actively seeking for business breakthrough and transformation with the use of information technology. The Group is currently investing resources in the development of a full-scale home design and renovation platform that provides ecological and one-stop solutions to customers from interior design, sourcing of building materials and furnishings, renovation management, to post-renovation repairs and maintenance, etc.. It is expected that the investment in information technology will enable us to deliver a better experience to our existing and potential customers and bring positive impact to the Group's businesses.

To facilitate the Group's rapid growth and development, the Group is also focusing on capital raising and also actively looking into cooperation with external strategic investors.

With the implementation of the above initiatives, despite the business challenge brought by the outbreak of COVID-19, the Group will continue to build on from the existing businesses, and will actively look for new investment opportunities to enhance the Group's profitability and maximize the returns and benefits for our shareholders.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 31 December 2020, the Group had a total cash and bank balances of approximately RMB4.7 million (2019: RMB24.2 million) mainly denominated in RMB and HK$. The decrease in total cash and bank balances was mainly due to payments incurred into the construction projects during the Reporting Period.

As at 31 December 2020, the Group had net current assets of approximately RMB617.0 million, as compared to approximately RMB419.3 million as at 31 December 2019.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2020, the Group had unutilised banking facilities for short term financing of approximately RMB2.6 million (2019: RMB10.6 million) and total bank borrowings of approximately RMB169.2 million (2019: RMB113.4 million).

The bank borrowings of the Group were secured by property, plant and equipment, investment properties and right-of-use assets as at 31 December 2020 and 2019. The bank borrowings were also jointly guaranteed by Ms. Hou Wei and Mr. Deng Jianshen, husband of Ms. Hou Wei.

CAPITAL EXPENDITURE

The Group has no material capital expenditure during the Reporting Period.

FINANCIAL RATIO

	As at	
	31 December 2020	31 December 2019
Current ratio[1]	**3.3**	2.1
Quick ratio[2]	**3.3**	2.1
Gearing ratio *(%)*[3]	**34.7**	38.3
Net debt to equity ratio *(%)*[4]	**33.9**	33.7

(1) Current ratio is calculated as total current assets divided by total current liabilities.

(2) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.

(3) Gearing ratio is calculated as total debt divided by total equity and multiplied by 100%.

(4) Net debt to equity ratio is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

On 4 June 2020, the Company entered into a sale and purchase agreement with Lin Shunwei* (林順偉) and Chen Yiting* (陳伊婷), pursuant to which the Company has conditionally agreed to acquire (the "**Acquisition**") the entire issued share capital of Sino Legacy Investments Limited ("**Sino Legacy**") and its subsidiaries. Xinjiale Cloud-based Decoration Technology Co., Limited* (深圳市新家樂雲整裝科技有限公司) ("**Xinjiale**"), the operating subsidiary of Sino Legacy, is principally engaged in the business of online distribution and electronic marketing service and provision of interior design and home decorations in the PRC. The Group complete the Acquisition on 26 August 2020.

The Group aims to restructure and consolidate its business segment of the provision of interior design and engineering services through the Acquisition. After the Acquisition, the home decoration businesses will be centralised and primarily undertaken by Xinjiale. The Group considers the restructuring will enhance the management efficiency and effectiveness in developing its home decoration businesses. Moreover, the Group also aims to expand and diversify its sales and distribution channels through the acquisition of Sino Legacy, where Xinjiale is also specialised in online distribution and e-marketing activities through various internet broadcasting and live streaming channels and platforms. Since May 2020, Xinjiale has already established the first online broadcasting and live streaming distribution centre in Meizhou and has already entered into a number of service contracts, which demonstrated a rapid development and prosperous future of the Target Group.

The Group considers that the new distribution model under Sino Legacy will provide the Group with greater business development and customer accessibility, lower business overhead and operating costs, and improved communications channels with suppliers, vendors and potential customers.

The financial results of Sino Legacy and its subsidiaries has been consolidated into the consolidated financial statements of the Group for FY 2020.

For further details of the Acquisition, please refer to the announcements of the Company dated 4 June 2020, 9 June 2020, 27 July 2020 and 26 August 2020.

UPDATES ON THE ISSUE OF CONVERTIBLE BONDS AND THE USE OF PROCEEDS

On 22 April 2019, the company entered into eight (8) subscription agreements with the subscribers (the “Subscribers”) respectively, pursuant to which the Company has conditionally agreed to issue and the Subscribers has respectively and conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$102,100,000 (the “Convertible Bonds”). The issue of the Convertible Bonds was completed on 25 June 2019. The net proceeds from the issuance of the Convertible Bonds, which amounted to approximately HK$101.6 million after deducting the related professional forms and an related expenses, have already been fully utilised during FY 2019. As of 31 December 2020, Convertible Bonds in the amount of HK$37,429,167 have been converted into 37,429,167 conversion shares by the bondholders, and the remaining Convertible Bonds in the amount of HK$64,670,833 were outstanding (“Outstanding Convertible Bonds”).

According to the terms of the Convertible Bonds (details are set out in the circular of the Company dated 10 May 2019), the Convertible Bonds should mature on the date falling eighteenth (18th) month after the date of issue thereof (i.e. 24 December 2020), and such maturity date could be extended to the date falling second (2nd) anniversary of the date of issue thereof (the "Extended CB Maturity Date") as the bondholder(s) and the Company might mutually agree (the "Extension").

After arm's length negotiations, the Company and the outstanding bondholders have reached consensus on the Extension, pursuant to which the maturity date of the Outstanding Convertible Bonds was extended by six (6) months from 24 December 2020 to the Extended CB Maturity Date (i.e. 24 June 2021). Save for the above, all other terms and conditions of the Convertible Bonds (including the terms of conversion price) have remained unchanged and have been in full force and effect.

The Extension was arrived at after arm's length negotiations between the Company and outstanding bondholders. The extension of the maturity date would allow the Company to enjoy more flexibility when planning its financial resources, as it would enable the Company to apply its financial resources to fund its operation and/or business development instead of repayment of the Outstanding Convertible Bonds by 24 December 2020 so as to maximise returns to the Shareholders.

The Extension and the transactions contemplated above (including but not limited to the allotment and issue of outstanding conversion shares under the specific mandate) has been passed and approved by the Shareholders at the extraordinary general meeting (the "EGM") of the Company held on 22 February 2021.

For further details in relation to the Extension, please refer to the announcements of the Company dated 24 December 2020, 31 December 2020, the circular of the Company dated 25 January 2021 in respect of the EGM, and the poll result announcement dated 22 February 2021 in respect of the EGM.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in RMB and also incurs cost in HK$ and RMB. The Group is exposed to foreign exchange risk with respect mainly to HK$ which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of HK$ and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020 (2019: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 31 December 2020 (2019: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the employee headcount of the Group was 130 (2019: 126) and the total staff costs, including Directors' remuneration, amounted to approximately RMB9.0 million for the Reporting Period (2019: RMB10.0 million). The slight decrease in total staff cost was due to the reduction in headcount of the construction engineering function, of which the Group has outsourced some of the construction engineering work to external sub-contractors and the reduction in headcount of sales and distribution function during the Reporting Period.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation.

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2020 and up to the date of this announcement.

DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2020 (2019: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2020 and up to the date of this announcement, the Company has complied with the code provisions under the CG Code.

COMPLIANCE WITH MODEL CODE

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2020. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines or no less exacting terms than the Model Code throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

SCOPE OF WORK OF MESSRS. MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's independent auditor, Messrs. Moore Stephens CPA Limited, to the amounts as set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Moore Stephens CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

As at 31 December 2020 and up to the date of this announcement, the Audit Committee comprised three members, namely, Mr. Ye Yihui (chairman of the Audit Committee), Mr. Ho Hin Yip and Mr. Hou Lianchang and all of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the annual financial results of the Group for FY2020.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.jiyiholdings.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company on or before 30 April 2021.

By Order of the Board
Jiyi Holdings Limited
Hou Wei
Chairlady

Hong Kong, 31 March 2021

As at the date of this announcement, Ms. Hou Wei, Mr. Liu Xianxiu and Mr. Yang Baikang are the executive directors of the Company, Mr. Hou Bo is the non-executive director of the Company, and Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang are the independent non-executive directors of the Company.