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Jiyi Holdings Limited
集一控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1495)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Jiyi Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**” or “**FY2021**”), together with the comparative figures for the corresponding period in 2020 (the “**Prior Period**” or “**FY2020**”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	3	268,894	128,078
Cost of sales	3	(258,052)	(118,860)
Gross profit		10,842	9,218
Other income		445	2,752
Other gains and losses		6,220	(6,358)
Distribution and selling expenses		(3,577)	(4,792)
Administrative expenses		(6,518)	(9,520)
Reversal of impairment losses under expected credit loss model, net		9	3,398

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Finance costs		<u>(10,825)</u>	<u>(14,076)</u>
Loss before tax		(3,404)	(19,378)
Income tax credit	6	<u>2,006</u>	<u>727</u>
Loss for the period		<u>(1,398)</u>	<u>(18,651)</u>
Other comprehensive income/(expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(109)</u>	<u>1,021</u>
Other comprehensive loss for the period, net of income tax		<u>(1,507)</u>	<u>(17,630)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Total comprehensive loss for the period		(1,507)	(17,630)
Loss for the period attributable to:			
– Owners of the Company		(1,371)	(18,651)
– Non-controlling interests		<u>(27)</u>	<u>–</u>
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(1,480)	(17,630)
– Non-controlling interests		(27)	–
Loss per share			
– Basic (RMB cents)	7	(0.17)	(2.70)
– Diluted (RMB cents)	7	<u>(0.16)</u>	<u>(2.65)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		29,255	33,027
Right-of-use assets		831	12,986
Investment properties		60,800	61,130
Goodwill		53,208	53,208
Prepayment for acquisition of investment properties		35,810	35,810
Contract assets		4,480	1,363
Deferred tax assets		4,998	2,886
		<u>189,382</u>	<u>200,410</u>
Current assets			
Inventories		33,093	15,920
Amounts due from related parties		918	918
Trade and other receivables and prepayments	9	469,999	497,277
Contract assets		342,848	342,807
Financial assets at fair value through profit or loss		18,087	18,087
Bank balances and cash		42,539	4,713
		<u>907,484</u>	<u>879,722</u>
Total assets		<u>1,096,866</u>	<u>1,080,132</u>

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	10	138,193	111,739
Bank borrowings		46,401	56,000
Other borrowings		10,811	8,356
Lease liabilities		728	1,967
Convertible loan notes		57,712	56,248
Contract liabilities		25,763	10,398
Income tax payables		18,218	18,030
		<u>297,826</u>	<u>262,738</u>
Net current assets		609,658	616,984
Total assets less current liabilities		799,040	817,394
Non-current liabilities			
Bank borrowings		113,223	113,223
Lease liabilities		138	8,819
Deferred tax liabilities		20,828	20,911
		<u>134,189</u>	<u>142,953</u>
Net assets		664,851	674,441
Capital and reserves			
Share capital		73,352	69,002
Reserves		590,953	604,866
		<u>664,305</u>	<u>673,868</u>
Equity attributable to owners of the Company		664,305	673,868
Non-controlling interests		546	573
Total equity		664,851	674,441

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. General information

The Company was incorporated in the Cayman Islands on 2 February 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 912, 9/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

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 engineering services in the People's Republic of China (the "PRC"). The controlling shareholder of the Group is Xinling Limited, a company incorporated in the British Virgin Islands ("BVI") which is wholly-owned by Ms. Hou Wei.

The condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

2. Significant accounting policies and basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fair value.

These interim condensed consolidated financial statements for the six months ended 30 June 2021 are unaudited and have been reviewed by the Audit Committee of the Company.

(a) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform–Phase 2

Several amendments apply for the first time in the current period. The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

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 engineering services

Segment revenues and results

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

Period ended 30 June 2021

	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment Revenue			
Segment revenue	185,348	85,838	271,186
Less: Inter-segment sales	<u>(2,292)</u>	<u>–</u>	<u>(2,292)</u>
External sales	183,056	85,838	268,894
Segment cost of sales	<u>(175,760)</u>	<u>(82,292)</u>	<u>(258,052)</u>
Segment gross profit	<u><u>7,296</u></u>	<u><u>3,546</u></u>	<u><u>10,842</u></u>

Period ended 30 June 2020

	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment Revenue			
Segment revenue	29,699	100,579	130,278
Less: Inter-segment sales	<u>(2,200)</u>	<u>–</u>	<u>(2,200)</u>
External sales	27,499	100,579	128,078
Segment cost of sales	<u>(23,942)</u>	<u>(94,918)</u>	<u>(118,860)</u>
Segment gross profit	<u><u>3,557</u></u>	<u><u>5,661</u></u>	<u><u>9,218</u></u>

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)	
	30 June	30 June	30 June	31 December
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	268,894	128,078	182,313	195,548
Hong Kong	—	—	2,071	1,976
	<u>268,894</u>	<u>128,078</u>	<u>184,384</u>	<u>197,524</u>

Note: Non-current assets excluded financial assets at fair value through profit or loss and deferred tax assets.

Information about major customers

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

	30 June 2021 <i>RMB'000</i>	30 June 2020 <i>RMB'000</i>
Customer A	96,384²	N/A
Customer B	57,458¹	N/A
Customer C	39,784³	85,138

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

² Revenue from sale and distribution of merchandise segment.

³ Revenue from both sale and distribution of merchandise segment and provision of interior design and engineering services segment.

4. Revenue

Disaggregation of revenue for contracts with customers:

Segments	For the period ended 30 June 2021		
	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Sale and distribution of merchandise			
– Building materials	178,564	–	178,564
– Home improvement materials	1,008	–	1,008
– Furnishings	3,484	–	3,484
Provision of interior design and engineering services			
– Interior design	–	10,272	10,272
– Building engineering services	–	75,566	75,566
Total	183,056	85,838	268,894
Geographical markets			
The PRC	183,056	85,838	268,894
Timing of revenue recognition			
At a point in time	183,056	–	183,056
Over time	–	85,838	85,838
Total	183,056	85,838	268,894

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

	For the period ended 30 June 2021		
	Segment revenue <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Sale and distribution of merchandise	185,348	(2,292)	183,056
Provision of interior design and engineering services	85,838	–	85,838
Total revenue	271,186	(2,292)	268,894

Segments	For the period ended 30 June 2020		
	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Sale and distribution of merchandise			
– Building materials	16,334	–	16,334
– Home improvement materials	6,930	–	6,930
– Furnishings	4,235	–	4,235
Provision of interior design and engineering services			
– Interior design	–	15,980	15,980
– Building engineering services	–	84,599	84,599
Total	<u>27,499</u>	<u>100,579</u>	<u>128,078</u>
Geographical markets			
The PRC	<u>27,499</u>	<u>100,579</u>	<u>128,078</u>
Timing of revenue recognition			
At a point in time	27,499	–	27,499
Over time	–	100,579	100,579
Total	<u>27,499</u>	<u>100,579</u>	<u>128,078</u>

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

	For the period ended 30 June 2020		
	Segment revenue <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Sale and distribution of merchandise	29,699	(2,200)	27,499
Provision of interior design and engineering services	<u>100,579</u>	<u>–</u>	<u>100,579</u>
Total revenue	<u>130,278</u>	<u>(2,200)</u>	<u>128,078</u>

5 Loss for the period

Loss for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' remuneration	1,100	1,179
Staff salaries, allowances and benefits in kind	3,281	3,050
Retirement benefit scheme contributions for staff	556	280
Equity-settled share-based payment expenses for staff	29	89
	<u> </u>	<u> </u>
Total staff costs	<u>4,966</u>	<u>4,598</u>
Auditor's remuneration	575	575
Cost of inventories recognised as expenses	178,053	23,942
Depreciation of property, plant and equipment	3,772	1,806
Depreciation of right-of-use assets	358	844
Equity-settled share-based payment expenses		
for customers and consultants	276	877
Variable rental payments in respect of office premises		
and retail stores		
– Lease rental payment [#]	<u>503</u>	<u>728</u>
Gross rental income from investment properties	820	178
Less: direct operating expenses incurred for investment properties		
that generated rental income during the period	<u>(171)</u>	<u>(71)</u>
	<u>649</u>	<u>107</u>

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

6. Income tax credit

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	189	224
Deferred income tax	<u>(2,195)</u>	<u>(951)</u>
	<u>(2,006)</u>	<u>(727)</u>

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 periods.

7. Loss per share

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Loss		
Loss for the period attributable to owners of the Company		
for the purpose of basic and diluted loss per share	<u>(1,398)</u>	<u>(18,651)</u>

	Six months ended 30 June	
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	837,558	691,457
Effect of dilutive potential ordinary shares:		
Share options	<u>13,250</u>	<u>11,050</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>850,808</u>	<u>702,507</u>
Basic loss per share (<i>RMB cents</i>)	(0.17)	(2.70)
Diluted loss per share (<i>RMB cents</i>)	<u>(0.16)</u>	<u>(2.65)</u>

For the period ended 30 June 2021 and 2020, the convertible loan notes had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

8. Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9. Trade and other receivables and prepayments

	As at	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables from contract with customers:		
Due from third parties:		
– sale and distribution of merchandise	79,495	80,884
– interior design and engineering services	54,066	26,486
	<u>133,561</u>	<u>107,370</u>
Less: allowance for credit losses	<u>(4,774)</u>	<u>(6,278)</u>
	<u>128,787</u>	<u>101,092</u>
Other receivables		
Contract performance deposits	1,563	1,521
Project tender deposits	3,290	1,657
Other deposits	373	4,778
Other tax recoverable	7,588	7,404
Rental deposits	352	271
Others	37,718	31,063
	<u>50,884</u>	<u>46,694</u>
Prepayments		
Prepayments for purchase of goods and provision of services	290,328	349,491
Prepayments for acquisition of investment properties	35,810	35,810
	<u>326,138</u>	<u>385,301</u>
Total trade and other receivables and prepayments	<u>505,809</u>	<u>533,087</u>
Analysed as		
Non-current	35,810	35,810
Current	<u>469,999</u>	<u>497,277</u>
	<u>505,809</u>	<u>533,087</u>

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

	As at	
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	41,317	29,582
7 to 12 months	20,470	10,455
Over 1 to 2 years	53,310	29,652
Over 2 years	13,690	31,403
	128,787	101,092

The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables.

10. Trade and other payables

	As at	
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables	66,355	69,388
Other payables		
Salaries and staff welfare payables	2,629	1,613
Deposits received for building engineering services	1,056	1,080
Accrued construction costs	6,274	4,284
Other tax payables	16,497	9,897
Withholding individual income tax in respect of dividends payment	16,000	16,000
Other payables	29,382	9,477
Trade and other payables	138,193	111,739

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

	As at	
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	8,876	31,530
7 to 12 months	8,796	5,981
Over 1 year	48,683	31,877
	66,355	69,388

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue by business operations

The Group is a well-established and integrated building and home improvement materials and furnishings supplier and interior design and 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 engineering services.

The following table sets forth the breakdown of revenue by business operations for the Reporting Period with the comparative figures of the Prior Period:

	For the six months ended 30 June		
	2021	2020	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(Unaudited)	(Unaudited)	
Sale and distribution of merchandise			
– Building materials	178,564	16,334	993.2
– Home improvement materials	1,008	6,930	(85.5)
– Furnishings	3,484	4,235	(17.7)
	183,056	27,499	565.7
Provision of interior design and engineering services	85,838	100,579	(14.7)
Total	268,894	128,078	109.9

Total revenue of the Group increased by approximately RMB140.8 million or approximately 109.9% from approximately RMB128.1 million for the Prior Period to approximately RMB268.9 million for the Reporting Period. Such increase was mainly driven by increase in revenue from the sale and distribution of merchandise segment of RMB155.6 million, and was partially offset by the decrease in the revenue from the provision of interior design and engineering services segment of RMB14.7 million during the Reporting Period.

Revenue from sale 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; and (iii) sale of furnishings, recorded an overall increase by approximately RMB155.6 million or approximately 565.7% from approximately RMB27.5 million for the Prior Period to approximately RMB183.1 million for the Reporting Period. 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 RMB162.3 million or approximately 993.2% from approximately RMB16.3 million for the Prior Period to approximately RMB178.6 million for the Reporting Period. Such increase was mainly due to the increase in sales from bulk material trades 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 RMB5.9 million or approximately 85.5% from approximately RMB6.9 million for the Prior Period to approximately RMB1.0 million for the Reporting Period. The decrease was mainly due to the decrease in sales of board and plate during the Reporting Period.

Sale of furnishings

Revenue generated from the sale of furnishings decreased by approximately RMB0.8 million or approximately 17.7% from approximately RMB4.2 million for the Prior Period to approximately RMB3.5 million for the Reporting Period. The decrease was mainly due to the decrease in sales of electronic products and home decoration products during the Reporting Period.

Revenue from provision of interior design and engineering services

The revenue from provision of interior design and engineering services decreased by approximately RMB14.8 million or approximately 14.7% from approximately RMB100.6 million for the Prior Period to approximately RMB85.8 million for the Reporting Period. 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 deferred construction engineering projects due to recurrence of COVID-19 during the Reporting Period. However, the Board is optimistic in continuing to expand its 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 FY2020:

	For the six months ended 30 June			
	2021		2020	
	Gross profit		Gross profit	
	Gross profit <i>RMB'000</i> (Unaudited)	margin %	Gross profit <i>RMB'000</i> (Unaudited)	margin %
Sale and distribution of merchandise	<u>7,296</u>	<u>4.0</u>	<u>3,557</u>	<u>12.9</u>
Provision of interior design and engineering services	<u>3,546</u>	<u>4.1</u>	<u>5,661</u>	<u>5.6</u>
Total	<u>10,842</u>	<u>4.0</u>	<u>9,218</u>	<u>7.2</u>

The revenue of the Group increased by approximately RMB140.8 million or approximately 109.9% from approximately RMB128.1 million for the Prior Period to approximately RMB268.9 million for the Reporting Period. The Group's overall gross profit increased by approximately RMB1.6 million or approximately 17.6% from approximately RMB9.2 million for the Prior Period to approximately RMB10.8 million for the Reporting Period. The increase in the Group's overall gross profit was mainly due to the increase in gross profit generated from sale and distribution of merchandise segment of approximately RMB3.7 million or approximately 105.1% from approximately RMB3.6 million for the Prior Period to approximately RMB7.3 million for the Reporting Period, which was offset by the decrease in gross profit generated from the provision of interior design and engineering services segment of approximately RMB2.1 million or approximately 37.4% from approximately RMB5.7 million for the Prior Period to approximately RMB3.5 million for the Reporting Period.

The gross profit margin of the business of sale and distribution of merchandise decreased by approximately 8.9% from 12.9% for the Prior Period to 4.0% for the Reporting Period, the decrease was mainly due to a general reduction in the Group's merchandise prices to retain old customers and attract new customers and an increase in proportion of sales of building materials with lower profit margin during the Reporting Period.

The gross profit margin of provision of interior design and engineering services decreased by approximately 1.5% from 5.6 % for the Prior Period to 4.1% for the Reporting Period. The decrease was mainly due to additional costs incurred from the delay in the stage of completion of the deferred construction projects due to the recurrence of COVID-19 epidemic and the increase in the proportion of revenue from building and construction projects that has a comparatively lower gross profit margin during the Reporting Period. 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.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by approximately RMB1.2 million or approximately 25.4% from approximately RMB4.8 million for the Prior Period to approximately RMB3.6 million for the Reporting Period. Such decrease was due to decrease in delivery costs and rental expenses during the Reporting Period.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB3.0 million or approximately 31.5% from approximately RMB9.5 million for the Prior Period to approximately RMB6.5 million for the Reporting Period. The decrease was mainly due to the decrease in share option expenses and the decrease in depreciation expenses of right-of-use assets and finance costs of lease liabilities.

Finance costs

The Group's net finance costs decreased by approximately RMB3.3 million or approximately 23.1% from approximately RMB14.1 million in the Prior Period to approximately RMB10.8 million in the Reporting Period, which was mainly due to the decrease in the amount of outstanding convertible bonds and its finance costs during the Reporting Period.

Loss for the period

As a result of the foregoing, the Group's loss decreased by approximately RMB17.3 million or approximately 92.5% from approximately RMB18.7 million for the Prior Period to a loss of approximately RMB1.4 million for the Reporting Period.

PROSPECTS

COVID-19's recurrence in the first half of the year continued to have a negative influence on the global economy and local consumption expenditures. However, economic statistics reveal that the general economic conditions in the PRC market have stabilized and are improving as a result of the effective measures taken by the PRC government for epidemic control. In the retail and distribution industry, we're also experiencing an increase in market activity and a higher degree of competition, both in terms of price and product differentiation.

To stay ahead of the market's intense competition, the management team worked diligently to acquire new businesses and explore opportunities in a number of new markets, while also maintaining effective cost control. On top of the traditional retail and wholesale distribution channels, the Group also started to sell and distribute its building materials, home improvement materials and furnishing products on online distribution and e-marketing channels. The Group has been successful in getting new businesses in its sale and distribution of the building and home improvement materials segment, and has now caught up to sales levels prior to the outbreak of epidemic.

Looking forward, the Group will continue to adopt 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. The Group is 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 is looking for investment opportunities to further 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 recurrence 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 30 June 2021, the Group had a total cash and bank balances of approximately RMB42.5 million (31 December 2020: RMB4.7 million) mainly denominated in Renminbi and Hong Kong Dollars. The increase in total cash and bank balances was mainly due to the net cash generated from operating activities of approximately RMB52.7 million during the Reporting Period.

As at 30 June 2021, the Group had net current assets of approximately RMB609.7 million, as compared to approximately RMB617.0 million as at 31 December 2020.

BORROWINGS AND PLEDGE OF ASSETS

As at 30 June 2021, the Group's banking facilities for short term financing had been fully utilised (31 December 2020: unutilised banking facilities of RMB2.6 million). As at 30 June 2021, the Group had total bank borrowings of approximately RMB159.6 million (31 December 2020: RMB169.2 million).

The bank borrowings of the Group were secured by property, plant and equipment, investment properties and right-of-use assets as at 30 June 2021 and as at 31 December 2020. 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 and for the year ended 31 December 2020.

FINANCIAL RATIO

	As at	
	30 June 2021 (Unaudited)	31 December 2020
Current ratio ⁽¹⁾	3.0	2.1
Quick ratio ⁽²⁾	2.9	2.0
Gearing ratio (%) ⁽³⁾	34.3	46.2
Net debt to equity ratio (%) ⁽⁴⁾	40.7	43.2

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

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 fees and related expenses, have already been fully utilised in accordance with the originally planned use of proceeds during FY 2019. As at 30 June 2021, the 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 (the “**Outstanding Convertible Bonds**”).

On 24 December 2020, the Company and the Outstanding Bondholders (the identity of which are disclosed in the circular of the Company dated 30 July 2021) agreed to extend the maturity date of the Outstanding Convertible Bonds with an aggregate principal amount of HK\$64,670,833 from 24 December 2020 to 24 June 2021 (the “**Maturity Date**”). Save for the extension of the Maturity Date, all the terms and conditions of the Convertible Bonds remain unchanged.

After arm's length negotiations, the Company and the Outstanding Bondholders entered into an extension agreement dated 24 June 2021 (the "**Extension Agreement**"), pursuant to which the Maturity Date of the Outstanding Convertible Bonds is further extended by six (6) months from 24 June 2021 to 24 December 2021 (the "**Extended CB Maturity Date**") (the "**Extension**").

The proposed Extension is arrived at after arm's length negotiations between the Company and the Outstanding Bondholders. The extension of the Maturity Date will allow the Company to enjoy more flexibility when planning its financial resources, as it enables the Company to apply its financial resources to fund its operation and/or business development, especially when facing the challenges of the COVID-19 situation, instead of repayment of the Outstanding Convertible Bonds by 24 June 2021 so as to maximise returns to the Shareholders.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will make an application to the Stock Exchange for the approval for the Extension as soon as practicable.

The Company will seek Shareholders' approval at the extraordinary general meeting (the "**EGM**") to be held on 10 September 2021 for the grant of specific mandate to the Directors for the allotment and issue of the Outstanding Conversion Shares and will submit the relevant listing application to the Stock Exchange. A circular containing, among others, details of the Extension and a notice convening the EGM was despatched to the Shareholders on 30 July 2021.

For further details in relation to the Extension, please refer to the announcement of the Company dated 24 June 2021 and the circular of the Company dated 30 July 2021 in respect of the EGM.

FOREIGN EXCHANGE EXPOSURE

The Group mainly transacts and recognises its revenue in Renminbi and also incurs cost in Hong Kong dollars and Renminbi. The Group is exposed to foreign exchange risk with respect mainly to Hong Kong dollars which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Hong Kong dollars 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 30 June 2021 (31 December 2020: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 30 June 2021 (31 December 2020: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total number of 110 employees (30 June 2020: 127) and the total staff costs, including Directors' remuneration, amounted to approximately RMB4.9 million for the Reporting Period (FY2020: RMB4.6 million). The decrease in number of employees was mainly due to outsourcing of the several functions in the construction department of the subsidiaries of the Company during the Reporting Period. The increase in total staff costs was due to the increase in staff salaries, allowances and benefits in kind as well as retirement benefit scheme contribution payment expense 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) throughout the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company and by the Group after 30 June 2021 and up to the date of this announcement.

DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2021.

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 Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules. During the Reporting Period, 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 during the Reporting Period. 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 during the Reporting Period.

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.

REVIEW OF INTERIM RESULTS

As at 30 June 2021 and 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 internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2021 and recommended its adoption by the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.jiyiholdings.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2021 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 September 2021.

By Order of the Board of
Jiyi Holdings Limited
Hou Wei
Chairlady

Hong Kong, 31 August 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.

* *For identification purpose only*