

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

The board (the “Board”) of Directors (the “Directors”) of Jiyi Holdings Limited (the “Company”) 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 2021 (“FY2021” or the “Reporting Period”), together with the comparative audited figures for the corresponding year ended 31 December 2020 (“FY2020”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	4	458,296	446,915
Cost of sales		(430,716)	(390,844)
Gross profit		27,580	56,071
Other income	5	21,105	16,516
Other gains and losses		7,303	(4,160)
Distribution and selling expenses		(5,433)	(11,166)
Administrative expenses		(14,758)	(24,748)
(Provision for)/reversal of impairment losses			
under expected credit loss model, net	7	(6,162)	6,900
Finance costs	6	(17,846)	(26,194)
Profit before tax		11,789	13,219
Income tax expense	8	(3,925)	(2,759)
Profit for the year	9	7,864	10,460

		2021	2020
	Notes	RMB'000	RMB'000
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of related income tax		2,046	1,125
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(1,173)</u>	<u>3,060</u>
Other comprehensive income for the year, net of income tax		873	4,185
Total comprehensive income for the year		<u>8,737</u>	<u>14,645</u>
Profit for the year attributable to:			
– Owners of the Company		7,559	9,911
– Non-controlling interests		<u>305</u>	<u>549</u>
		<u>7,864</u>	<u>10,460</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		8,432	14,096
– Non-controlling interests		<u>305</u>	<u>549</u>
		<u>8,737</u>	<u>14,645</u>
Earnings per share attributable to owners of the Company for the year			
– Basic (RMB cents per share)	11	0.89	1.37
– Diluted (RMB cents per share)	11	<u>0.88</u>	<u>1.33</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		25,009	33,027
Right-of-use assets		7,605	12,986
Investment properties	12	62,500	61,130
Goodwill		53,208	53,208
Prepayment for acquisition of investment properties	15	33,977	35,810
Deposits and other receivables	15	42,893	–
Financial assets at fair value through profit or loss		1,178	–
Contract assets	14	–	1,363
Deferred tax assets		6,601	2,886
		<u>232,971</u>	<u>200,410</u>
Current assets			
Inventories		4,280	15,920
Amounts due from related parties		934	918
Trade and other receivables and prepayments	15	580,511	497,277
Contract assets	14	350,521	342,807
Financial assets at fair value through profit or loss	13	–	18,087
Restricted cash		2,182	–
Bank balances and cash		31,958	4,713
		<u>970,386</u>	<u>879,722</u>
Total assets		<u><u>1,203,357</u></u>	<u><u>1,080,132</u></u>

		2021	2020
	Notes	RMB'000	RMB'000
Current liabilities			
Trade and bills payables and other payables	16	97,609	111,739
Bank borrowings		267,734	56,000
Other borrowings		50,602	8,356
Lease liabilities		181	1,967
Convertible loan notes	17	37,110	56,248
Contract liabilities		1,576	10,398
Income tax payables		24,971	18,030
		<u>479,783</u>	<u>262,738</u>
Net current assets		<u>490,603</u>	<u>616,984</u>
Total assets less current liabilities		<u><u>723,574</u></u>	<u><u>817,394</u></u>
Non-current liabilities			
Bank borrowings		4,404	113,223
Lease liabilities		53	8,819
Deferred tax liabilities		21,239	20,911
		<u>25,696</u>	<u>142,953</u>
Net assets		<u><u>697,878</u></u>	<u><u>674,441</u></u>
Capital and reserves			
Share capital		75,223	69,002
Reserves		<u>621,777</u>	<u>604,866</u>
Equity attributable to owners of the Company		<u>697,000</u>	<u>673,868</u>
Non-controlling interests		<u>878</u>	<u>573</u>
Total equity		<u><u>697,878</u></u>	<u><u>674,441</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Jiyi 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 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 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2
--	--

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which is effective for annual periods beginning on or after 1 April 2021.

The application of the amendment 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.

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 related Amendments ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ¹

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

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position 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 2021

	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and building engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment Revenue			
Segment revenue	375,859	86,548	462,407
Less: Inter-segment sales	<u>(4,111)</u>	<u>–</u>	<u>(4,111)</u>
External sales	371,748	86,548	458,296
Segment cost of sales	<u>(361,868)</u>	<u>(68,848)</u>	<u>(430,716)</u>
Segment gross profit	<u><u>9,880</u></u>	<u><u>17,700</u></u>	<u><u>27,580</u></u>

Year ended 31 December 2020

	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and building engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment Revenue			
Segment revenue	220,225	245,621	465,846
<i>Less: Inter-segment sales</i>	<u>(15,217)</u>	<u>(3,714)</u>	<u>(18,931)</u>
External sales	205,008	241,907	446,915
Segment cost of sales	<u>(192,391)</u>	<u>(198,453)</u>	<u>(390,844)</u>
Segment gross profit	<u><u>12,617</u></u>	<u><u>43,454</u></u>	<u><u>56,071</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, provision for/reversal of 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)	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC	458,296	446,915	184,543	195,548
Hong Kong	—	—	40,649	1,976
	<u>458,296</u>	<u>446,915</u>	<u>225,192</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 years contributing over 10% of the total sales of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Customer A	148,242 ¹	N/A*
Customer B	85,296 ¹	N/A*
Customer C	N/A*	182,451 ¹
Customer D	<u>N/A*</u>	<u>57,843¹</u>

¹ Revenue from sale and distribution of merchandise segment.

* The customers contributed less than 10% of the total revenue of the Group.

4. REVENUE

Disaggregation of revenue for contracts with customers:

Segments	For the year ended 31 December 2021		
	Sale and distribution of merchandise <i>RMB'000</i>	Provision of interior design and building engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services			
Sale and distribution of merchandise			
– Building materials	69,786	–	69,786
– Home improvement materials	10,653	–	10,653
– Furnishings	5,995	–	5,995
– Bulk commodity trading	285,314	–	285,314
Provision of interior design and building engineering services			
– Interior design	–	21,322	21,322
– Building engineering services	–	65,226	65,226
Total	371,748	86,548	458,296
Geographical markets			
The PRC	371,748	86,548	458,296
Timing of revenue recognition			
At a point in time	371,748	–	371,748
Over time	–	86,548	86,548
Total	371,748	86,548	458,296

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 2021			
	Segment	Adjustments	
	revenue	and	Consolidated
	<i>RMB'000</i>	eliminations	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>
Sale and distribution of merchandise	375,859	(4,111)	371,748
Provision of interior design and building engineering services	86,548	–	86,548
Total revenue	462,407	(4,111)	458,296

For the year ended 31 December 2020			
Segments	Sale and distribution of merchandise	Provision of interior design and building engineering services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	Adjustments	
	revenue	and	Consolidated
	<i>RMB'000</i>	eliminations	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>
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

5. OTHER INCOME

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from loan receivables	19,315	14,598
Bank interest income	79	69
Imputed interest income on contract assets/non-current deposits	–	984
Rental income (<i>Note</i>)	1,621	805
Sundry income	90	60
	21,105	16,516

Note:

The amount represented rental income arising from operating leases of investment properties in which the lease payments that are fixed.

6. FINANCE COSTS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	10,086	9,641
Effective interest expense on convertible loan notes	7,740	15,428
Interest on lease liabilities	20	1,125
	17,846	26,194

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses recognised/(reversed) on		
– loan receivables	–	(11,472)
– contract assets	576	2,891
– trade receivables	1,997	1,642
– amounts due from related parties	–	13
– other receivables and deposits	3,589	26
	<u>6,162</u>	<u>(6,900)</u>

8. INCOME TAX EXPENSE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC EIT		
Current tax	7,050	7,696
Overprovision in prior years	773	(8,033)
	<u>7,823</u>	<u>(337)</u>
Deferred tax	<u>(3,898)</u>	<u>3,096</u>
	<u>3,925</u>	<u>2,759</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 years.

9. PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Directors' remuneration	2,452	2,718
Other staff salaries, allowances and benefits in kind	7,132	5,977
Retirement benefit scheme contributions for other staff	302	253
Equity-settled share-based payment expenses for other staff	303	49
	<u>10,189</u>	<u>8,997</u>
Total staff costs	<u>10,189</u>	<u>8,997</u>
Auditor's remuneration	1,027	1,369
Depreciation of property, plant and equipment	6,668	7,210
Depreciation of right-of-use assets	118	1,669
Equity-settled share-based payment expenses for customers and consultants	–	1,303
Provision for write-down of inventories	686	152
Variable rental payments in respect of office premises and retail stores		
– Lease rental payment [#]	653	653
– Rental concession [^]	–	(380)
	<u>653</u>	<u>273</u>
Gross rental income from investment properties	(1,621)	(805)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	163	163
	<u>(1,458)</u>	<u>(642)</u>

[^] 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 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u><u>7,559</u></u>	<u><u>9,911</u></u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	851,822	722,343
Effect of dilutive potential ordinary shares:		
Share options	3,380	7,115
Contingent issued shares	<u>–</u>	<u>18,340</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>855,202</u></u>	<u><u>747,798</u></u>

For the years ended 31 December 2021 and 2020, 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 2021 and 2020, 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 <i>RMB'000</i>
At 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	<u>1,984</u>
At 31 December 2020 and 1 January 2021	61,130
Transfer from property, plant and equipment	49
Transfer from right-of-use assets	6
Increase in fair value recognised upon transfer from property, plant and equipment and right-of-use assets to investment properties in other comprehensive income	2,046
Decrease in fair value recognised in profit or loss	<u>(731)</u>
At 31 December 2021	<u><u>62,500</u></u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unlisted equity securities (<i>Note</i>)	<u>–</u>	<u>18,087</u>

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)(“Xinfeng Culture”). One of the subsidiary of the Group, Jiyi Entertainment Limited entered into a repayment agreement with the two guarantors of the investment in Xinfeng Culture on 1 November 2021, in which the guarantors agreed to refund the investment principal of approximately HK\$21.32 million, with a maturity date of 30 April 2024 and a 20% annual interest rate. As a result, the amount has been fully reclassified as “Deposit and other receivables” in accordance with HKFRS 9 “Financial Instruments” and recognised as a financial asset measured at amortised cost on 1 November 2021.

14. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets arising from:		
Decoration services	23,320	2,331
Construction and installation services	335,526	349,592
<i>Less:</i> allowance for credit losses	<u>(8,325)</u>	<u>(7,753)</u>
	<u>350,521</u>	<u>344,170</u>
Analysed as		
Non-current	–	1,363
Current	<u>350,521</u>	<u>342,807</u>
	<u>350,521</u>	<u>344,170</u>

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers:		
Due from third parties:		
– sale and distribution of merchandise	50,016	80,884
– interior design and building engineering services	53,076	26,486
Due from a related party:		
– sale and distribution of merchandise	382	–
	103,474	107,370
Less: allowance for credit losses	(5,775)	(6,278)
Sub-total	97,699	101,092
Other receivables		
Contract performance deposits	5,650	1,521
Project tender deposits	504	1,657
Other deposits	–	4,778
Other tax recoverable	2,295	7,404
Rental deposits	165	271
Others	7,759	31,527
	16,373	47,158
Less: allowance for credit losses	(2,004)	(464)
Sub-total	14,369	46,694
Prepayments		
Prepayments for purchase of goods and provision of services	358,256	349,491
Prepayments for acquisition of investment properties	33,977	35,810
Long term receivables	38,796	–
	431,029	385,301
Less: allowance for credit losses	(2,050)	–
Sub-total	428,979	385,301
Notes receivables arising from		
bulk commodity trading business (Note)	116,334	–
Total trade and other receivables and prepayments	657,381	533,087
Analysed as		
Non-current	76,870	35,810
Current	580,511	497,277
	657,381	533,087

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 6 months	29,434	29,582
6 – 12 months	20,696	10,455
1 – 2 years	6,462	29,652
Over 2 years	41,107	31,403
	<u>97,699</u>	<u>101,092</u>

As at 31 December 2021, included in the Group's trade receivable are debtors with aggregate net carrying amount of approximately RMB68,265,000 (2020: RMB61,055,000) which are past due as at the reporting date. It 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.

Note: During the year ended 31 December 2021, the Group had entered into several trade receivable (the "Notes") factoring arrangements and transferred those trade receivables to banks or other financial institutions (the "Arrangements"). Under the Arrangements, the Group may be required to reimburse the banks or other financial institutions for loss of interest if any trade debtors have late payment after the maturity date, which is normally for one year terms from the initial day, or subsequently found default. As such, the Group retained the substantial risks and rewards, which include default risks relating to such Notes, and accordingly, it continued to recognise the full carrying amounts of the Notes as "note receivables" and the associated borrowings from banks or other financial institutions. As at 31 December 2021, the original due date of such Notes are ranging from July to December 2022.

16. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u>41,746</u>	<u>69,388</u>
Other payables		
Salaries and staff welfare payables	2,920	1,613
Deposits received for building engineering services	4,361	1,080
Accrued construction costs	–	4,284
Other tax payables	14,845	9,897
Withholding income tax in respect of dividend payment	16,000	16,000
Other payables	<u>17,737</u>	<u>9,477</u>
Sub-total	55,863	42,351
Trade and bills payables and other payables	<u>97,609</u>	<u>111,739</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	16,548	31,530
6 to 12 months	1,125	5,981
Over 1 year	24,073	31,877
	41,746	69,388

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 22 April 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.

On 24 June 2021, the Company and the CB holders agreed to extend the maturity date of the outstanding convertible bonds with an aggregate principal amount of HK\$64,670,833 (equivalent to approximately RMB52,875,000) from 24 June 2021 to 24 December 2021. Save for the extension of the maturity date, all the terms and conditions of the Convertible Bonds remain unchanged.

On 24 December 2021, the convertible bonds in the amount of HK\$60,544,445 (equivalent to approximately RMB49,501,000) have been converted into 60,544,445 conversion shares by the CB holders, and the remaining convertible bonds in the amount of HK\$41,555,555 (equivalent to approximately RMB33,976,000) are extended to 31 August 2022 (the “Extended CB Maturity Date”) after mutually agreed by the Company and CB holders. Except for the above, all the other terms and conditions remain unchanged.

Details are set out in the Company’s announcements dated 31 December 2020, 24 June 2021 and 24 December 2021, as well as the Company’s circulars dated 26 January 2021, 30 July 2021 and 11 February 2022 in respect of the Extraordinary General Meeting (“EGM”) and the poll result announcement dated 22 February 2021, 10 September 2021 and 7 March 2022 in respect of the EGM.

As at the date of modifications, taking into account the terms of the extension, the fair value of convertible loan notes were amounted to approximately HK\$68,366,000 (equivalent to approximately RMB56,886,000) and approximately HK\$45,411,000 (equivalent to approximately RMB37,128,000) on 24 June 2021 and 24 December 2021, of which the fair values of liability component and equity component were amounted to approximately HK\$68,333,000 (equivalent to approximately RMB56,859,000) and approximately HK\$45,389,000 (equivalent to approximately RMB37,110,000) on 24 June 2021 and approximately HK\$33,000 (equivalent to approximately RMB27,000) and approximately HK\$22,000 (equivalent to approximately RMB18,000) on 24 December 2021 respectively. As a result, the Group recognised a gain on modification of convertible loan notes of approximately RMB5,360,000 in the consolidated statements of profit or loss and other comprehensive income and transferred the amount of approximately RMB10,000 from “convertible loan notes equity reserve” to “retained profits” in the consolidated statements of changes in equity for the year ended 31 December 2021.

The effective interest rate of the liability component for the extended convertible loan notes is 17.32% per annum.

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

	2021 RMB'000	2020 <i>RMB'000</i>
Equity component		
Carrying amount at the beginning of the year	28	2,811
Transfer to retained earnings upon conversion	(10)	(985)
Transfer to retained earnings upon extension	<u>–</u>	<u>(1,798)</u>
Carrying amount at the end of the year	<u>18</u>	<u>28</u>
Liability component		
Carrying amount at the beginning year	56,248	91,496
Interest charge	7,740	15,428
Interest paid	–	(6,928)
Converted into shares	(18,899)	(34,136)
Gain on modification of convertible loan notes	(5,360)	(2,796)
Exchange realignment	<u>(2,619)</u>	<u>(6,816)</u>
Carrying amount at the end of the year	<u>37,110</u>	<u>56,248</u>

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 conditionally 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”), would 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 were not 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 represented 10.34% and 6.32% of the enlarged total issued share capital 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:

	<i>RMB'000</i>
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)
	<hr/>
	35,305
Goodwill on acquisition	<hr/>
	53,208
	<hr/>
	88,513
	<hr/>
Considerations satisfied by:	
Consideration shares issued at fair value	<hr/>
	88,513
	<hr/>
Net cash inflow arising on acquisition	
Cash and balances acquired	<hr/>
	196
	<hr/>

During the year ended 31 December 2020, Sino Legacy Group contributed approximately RMB12,358,000 to the Group's revenue and profit of approximately RMB4,241,000 to the Group's results in aggregate for the period from the Completion Date of acquisition to 31 December 2020.

If the acquisition of Sino Legacy Group had been completed on 1 January 2020, the Group's revenue for the year ended 31 December 2020 would have been approximately RMB459,488,000 and profit for the year ended 31 December 2020 would have been RMB14,973,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

On 23 April 2021, the Second Tranche Consideration Shares had been allotted and issued to the Vendors as the aggregate audited net profit after tax for the financial year ended 31 December 2020 of the operating subsidiaries in Sino Legacy Group was more than RMB4,000,000 and satisfied the Minimum Profit pursuant to the sale and purchase agreement relating to the acquisition of Sino Legacy Group. The fair value of the contingent consideration is remeasured at the market value on 23 April 2021 and the Group recognised a transfer from contingent consideration reserve to retained earnings of approximately RMB4,502,000 in the consolidated statement of changes in equity as a result of the decrease in share price of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the management team continued to put forth significant effort in fostering its existing businesses and actively seeking for new business opportunities, recovering and catching up with the Group's revenue and net profits, which had been negatively impacted by the novel coronavirus ("COVID-19") epidemic and from the intense market competition as a result of market recovery. The Company sought to expand its sale and distribution of merchandise business segment by entering the business of bulk commodity trading. As a result, the Group's revenue had a slight increase in this year while the gross profit decreased as a result of lower profit margin from the bulk commodity trading business and the decrease in profit margin as a result of intense price competition in the market. In FY2021, the provision of interior design and building engineering services segment accounted for 19% of the total revenue (2020: 54%), while the sale and distribution of merchandise segment accounted for 81% of the total revenue (2020: 46%).

Provision of interior design and building engineering services

The business segment of the provision of interior design and building engineering services was severely impacted by the recession in the real estate and property development industry in China which had delayed the progress of various interior design and building engineering projects. This 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 RMB155.4 million or approximately 64.2%, from approximately RMB241.9 million in FY2020 to approximately RMB86.5 million in FY2021. The Group also recorded a decrease in gross profit of approximately RMB25.8 million or approximately 59.3%, from approximately RMB43.5 million in FY2020 to approximately RMB17.7 million in FY2021. The gross profit margin increased from approximately 18.0% in FY2020 to approximately 20.5% in FY2021.

Sale and distribution of merchandise

The sale and distribution of merchandise remained a stable source of revenue to the Group. In FY2021, the Group experienced an overall increase of approximately RMB166.7 million or approximately 81.3% in revenue from the sale and distribution of merchandise from approximately RMB205.0 million in FY2020 to approximately RMB371.7 million in FY2021, in particular, the revenue generated from sale of building materials had a decrease of approximately RMB108.9 million, which was offset by the revenue generated from the bulk commodity trading of approximately RMB285.3 million during the Reporting Period.

Overall, the Group recorded a consolidated net profit of approximately RMB7.9 million for FY2021, representing a decrease of approximately RMB2.6 million or approximately 24.8% as compared with consolidated net profit of approximately RMB10.5 million for FY2020. 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 RMB25.8 million, offset by the decrease in administrative expenses of approximately RMB10 million as well as the decrease in finance costs 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 FY2020:

	For the year ended		
	31 December		
	2021	2020	Changes
	RMB'000	RMB'000	%
Sale and distribution of merchandise			
– Building materials	69,786	178,719	(61.0)
– Home improvement materials	10,653	9,040	17.8
– Furnishings	5,995	8,639	(30.6)
– Bulk commodity trading*	285,314	–	N/A
– Online distribution and electronic marketing	<u>–</u>	<u>8,610</u>	N/A
	371,748	205,008	81.3
Provision of services			
– Interior design services	21,322	3,748	468.9
– Building engineering services	<u>65,226</u>	<u>238,159</u>	(72.6)
	<u>86,548</u>	<u>241,907</u>	(64.2)
Total	<u>458,296</u>	<u>446,915</u>	2.5

* During the year ended 31 December 2021, included in the balance of approximately RMB33,342,000 of the bulk Commodity trade was sold to the entities who were related parties of the Group's Suppliers of bulk commodity trading.

Total revenue of the Group increased by approximately RMB11.4 million or approximately 2.5% from approximately RMB446.9 million for FY2020 to approximately RMB458.3 million for FY2021. Such increase was mainly attributed to the increase in revenue from the provision of sale and distribution of building materials and was partially offset by the decrease in revenue from building engineering services 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; (iv) bulk commodity trading; and (v) online distribution and electronic marketing, recorded an overall increase by approximately RMB166.7 million or approximately 81.3% from approximately RMB205.0 million for FY2020 to approximately RMB371.7 million for FY2021. The overall increase was a combined result of the followings:

Sale of building materials

Revenue generated from the sale of building materials decreased by approximately RMB108.9 million or approximately 61% from approximately RMB178.7 million for FY2020 to approximately RMB69.8 million for FY2021. Such decrease was mainly due to the decrease in sales of metallic material, offset by the increase in sales of steel during the Reporting Period.

Sale of home improvement materials

Revenue generated from the sale of home improvement materials increased by approximately RMB1.6 million or approximately 17.8% from approximately RMB9.0 million for FY2020 to approximately RMB10.6 million for FY2021. The increase was mainly due to the increase in sales of ceramic and other home improvement products during the Reporting Period.

Sale of furnishings

Revenue generated from the sale of furnishings decreased by approximately RMB2.6 million or approximately 30.6% from approximately RMB8.6 million for FY2020 to approximately RMB6.0 million for FY2021. Such decrease was mainly due to the decrease in sales of electronic products and home decoration products during the Reporting Period.

Bulk commodity trading

To further expand and diversify the Group's business segment of sale and distribution of merchandise, the Group entered the business of bulk commodity trading and the revenue generated from the business of bulk commodity trading was approximately RMB285.3 million for FY2021.

Online distribution and electronic marketing

During the Reporting Period, the Group decided to temporarily suspend the business of online distribution and electronic marketing after thorough consideration of the potential profitability of the business, the cost of maintaining the online distribution platform, and the changes in the e-commerce licensing policies in the PRC. As a result, there had been no revenue generated from the online distribution and electronic marketing business in FY2021 (FY2020: RMB8.6 million).

Revenue from provision of services

Revenue from provision of interior design and building engineering services decreased by approximately RMB155.4 million or approximately 64.2% from approximately RMB241.9 million for FY2020 to approximately RMB86.5 million for FY2021. 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 FY2020:

	For the year ended 31 December			
	2021		2020	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Sale and distribution of merchandise	<u>9,880</u>	2.7	<u>12,617</u>	6.1
Provision of interior design and building engineering services	<u>17,700</u>	20.5	<u>43,454</u>	18.0
Total	<u><u>27,580</u></u>	6.0	<u><u>56,071</u></u>	12.5

The revenue of the Group increased by approximately RMB11.4 million or approximately 2.5% from approximately RMB446.9 million for FY2020 to approximately RMB458.3 million for FY2021, the Group's overall gross profit decreased by approximately RMB28.5 million or approximately 50.8% from approximately RMB56.1 million for FY2020 to approximately RMB27.6 million for FY2021. 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 18.0% for FY2020 to 20.5% 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 6.1% for FY2020 to 2.7% for FY2021, owing primarily to the new business of bulk commodity trading with lower profit margin and 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 RMB5.8 million or approximately 51.3% from approximately RMB11.2 million for FY2020 to approximately RMB5.4 million for the Reporting Period. Such decrease was due to the write-off of leasehold improvements as well as a decrease in depreciation expenses as a result of certain retail store closures during the Reporting Period.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB10 million or approximately 40.4% from approximately RMB24.7 million for FY2020 to approximately RMB14.7 million for the Reporting Period. The decrease was mainly due to a decrease in equity-settled share-based payment expenses for customers and consultants, depreciation, legal and professional fee and decrease in general administrative costs.

Finance costs – net

The Group's net finance costs decreased by approximately RMB8.4 million or approximately 31.9% from approximately RMB26.2 million for FY2020 to approximately RMB17.8 million for the Reporting Period. The decrease was mainly due to the decrease in the finance costs arising from the convertible loan notes during the Reporting Period.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by approximately RMB2.6 million or approximately 24.8% from approximately RMB10.5 million for FY2020 to approximately RMB7.9 million for the Reporting Period.

PROSPECTS

In 2021, with the well-coordinated and effective COVID-19 pandemic prevention and control efforts implemented by the Chinese government, the pandemic is progressively kept under control in the PRC and as a result, China's economy and domestic consumption expenditures have recovered steadily and consistently. On the other hand, the "14th Five Year Plan", which emphasizes a commitment to the "dual circulation" concept for economic development, will go a long way toward improving market supply and demand in the domestic markets in China as well as the business environment. The Group believes that the aforementioned economic recovery and improving market conditions will provide positive driving force for the Group's strategic expansion and business development in 2022, which helps to enhance the business performance of the Group's business segment of sale and distribution of merchandise and the business segment of the provision of interior design and building engineering services.

In 2021, the Group completed the relocation of its PRC headquarters from Meizhou to Shenzhen and had great success expanding and developing its retail and domestic interior design and home decoration markets in the Guangdong-Hong Kong-Macao Greater Bay Area. In FY2022, the Group will continue to pursue its market expansion strategy in the Guangdong-Hong Kong-Macao Greater Bay Area by proactively seek for new project tenders and business opportunities with our corporate and governmental clients.

Among the new business opportunities the Group identified, the company is particularly confident about the business and market development of new energy supply chain industry and the international bulk commodity trading industry and the company will devote more resources to expanding its operations in these areas in the coming years.

The Group strives to invest in 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.

In view of the Group's capital market strategy, in the first quarter of 2022, the Group completed two placements of new shares under general mandate, raising about HK\$75.7 million to strengthen the Group's financial position and foundation, as well as pave the way for future business expansion and development. The company will continue to focus on capital raising and continue to seek out strategic relationships with external investors for new and existing business development and expansion.

However, with the uncertainties brought by the prolonged global COVID-19 pandemic situation and the recent tensions and turbulences on the global economies, it is foreseen that the year of 2022 will remain a challenging year for businesses, the Group will continue to adopt a pragmatic and enterprising approach in our business strategies by building on from the existing businesses and at the same time, by actively looking 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 2021, the Group had a total cash and bank balances of approximately RMB32.0 million (2020: RMB4.7 million) mainly denominated in RMB and HK\$. The Group also had a total restricted cash balances of approximately RMB2.2 million (2020: Nil) which was mainly related to security deposits provided to secure certain bank borrowings. The increase in total cash and bank balances was mainly due to increase in cash inflows from collection of trade receivables during the Reporting Period.

As at 31 December 2021, the Group had net current assets of approximately RMB490.6 million, as compared to approximately RMB617.0 million as at 31 December 2020.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2021, the Group had no unutilised banking facilities for short term financing (2020: RMB2.6 million) and total bank borrowings of approximately RMB272.1 million (2020: RMB169.2 million). The total bank borrowings comprised approximately RMB116.3 million (2020: Nil) in bank borrowings arising from discounted commercial bills and discounted letters of credit that were not yet due.

Other than the bank borrowings arising from discounted commercial bills and discounted letters of credit that were not yet due, the bank borrowings of the Group were secured by property, plant and equipment, investment properties and right-of-use assets as at 31 December 2021 and 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.

FINANCIAL RATIO

	As at	
	31 December 2021	31 December 2020
Current ratio ⁽¹⁾	2.02	3.3
Quick ratio ⁽²⁾	2.01	3.3
Gearing ratio (%) ⁽³⁾	50.9	34.7
Net debt to equity ratio (%) ⁽⁴⁾	46.0	33.9

⁽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, ACQUISITIONS AND DISPOSALS

The Group had no material investment, acquisition and disposal transactions during the Reporting Period.

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 FY2019.

On 24 June 2021, the Company and the bondholders agreed to extend the maturity date of the outstanding Convertible Bonds with an aggregate principal amount of HK\$64,670,833 from 24 June 2021 to 24 December 2021 (the “Maturity Date”). Save for the extension of the maturity date, all the terms and conditions of the Convertible Bonds remain unchanged.

As of 31 December 2021, Convertible Bonds in the amount of HK\$60,544,445 have been converted into 60,544,445 conversion shares by the bondholders, and the remaining Convertible Bonds in the amount of HK\$41,555,555 were outstanding (“Outstanding Convertible Bonds”).

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 from 24 December 2021 to the Extended CB Maturity Date (i.e. 31 August 2022) (the “Extension”). 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. Since 24 June 2021, Convertible Bonds in the aggregate of HK\$23,115,278 have been converted into 23,115,278 Conversion Shares. 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, especially when facing the challenges of the COVID-19 situation, instead of repayment of the Outstanding Convertible Bonds by 24 December 2021 so as to maximise returns to the Shareholders. Further, it is also the intention of the Outstanding Bondholder to further extend the term of the Outstanding Convertible Bonds to the Extended CB Maturity Date as and when it consider appropriate.

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 7 March 2022.

For further details in relation to the Extension, please refer to the announcements of the Company dated 24 December 2020, 31 December 2020, 24 June 2021, and 24 December 2021, the circular of the Company dated 26 January 2021, 30 July 2021 and 11 February 2022 in respect of the EGM, and the poll result announcement dated 22 February 2021, 10 September 2021 and 7 March 2022 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 2021 (2020: Nil).

CAPITAL COMMITMENTS

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the employee headcount of the Group was 95 (2020: 130) and the total staff costs, including Directors' remuneration, amounted to approximately RMB10.2 million for the Reporting Period (2020: RMB9.0 million). The increase in total staff cost was due to the increase in the headcount of senior and middle management personnel, which drove up the average salary costs 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

After the reporting period, the Company completed two placing of new shares under general mandate through Silverbricks Securities Company Limited (the “Placing Agent”), in which a total of 28,022,000 placing shares had been successfully placed by the Placing Agent on 25 January 2022 to not less than six Placees at the Placing Price of HK\$1.2 per placing shares pursuant to the terms and conditions of the placing agreement dated 30 November 2021, and a total of 48,000,000 placing shares had been successfully placed by the Placing Agent on 11 March 2022 to not less than six Placees at the Placing Price of HK\$0.9 per placing shares pursuant to the terms and conditions of the placing agreement dated 4 March 2022.

The Company received net proceeds of HK\$33.1 million and HK\$42.6 million from the placing of new shares under general mandate completed on 25 January 2022 and 11 March 2022 respectively.

For more information of the placing of new shares under general mandate completed on 25 January 2022, please refer to the announcement of the Company dated 30 November 2021, 20 December 2021, 11 January 2022, 12 January 2022 and 26 January 2022.

For more information of the placing of new shares under general mandate completed on 11 March 2022, please refer to the announcement of the Company dated 4 March 2022, 8 March 2022 and 15 March 2022.

Except as disclosed in above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2021 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 2021 (2020: 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 2021 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 2021. 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 2021.

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 MCMILLAN WOODS (HONG KONG) 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 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

As at 31 December 2021 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 FY2021.

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 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 April 2022.

By Order of the Board
Jiyi Holdings Limited
Hou Wei
Chairlady

Hong Kong, 31 March 2022

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.