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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 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Jiyi Holdings Limited, formerly known as Jiyi Household International Holdings Limited, (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**” or “**FY2020**”), together with the comparative figures for the corresponding period in 2019 (the “**Prior Period**” or “**FY2019**”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	3	128,078	248,985
Cost of sales	3	(118,860)	(214,388)
Gross profit		9,218	34,597
Selling expenses		(4,792)	(5,785)
Administrative expenses		(9,520)	(12,489)
Other losses and gains – net		(6,358)	367
Reversal of net impairment losses on financial and contract assets		3,398	360

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Operating (loss)/profit	4	<u>(8,054)</u>	<u>17,050</u>
Finance income		2,752	26
Finance costs		<u>(14,076)</u>	<u>(4,375)</u>
Finance costs – net		<u>(11,324)</u>	<u>(4,349)</u>
(Loss)/profit before income tax		(19,378)	12,701
Income tax credit/(expense)	5	<u>727</u>	<u>(4,088)</u>
(Loss)/profit for the period, all attributable to equity holders of the Company		<u><u>(18,651)</u></u>	<u><u>8,613</u></u>
(Loss)/earnings per share attributable to equity holders of the Company for the period			
– Basic and diluted (<i>RMB cents per share</i>)	6	<u><u>(2.70)</u></u>	<u><u>1.25</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
<i>Notes</i>	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(18,651)	8,613
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>1,021</u>	<u>3,939</u>
Total comprehensive (loss)/income for the period, all attributable to equity holders of the Company	<u>(17,630)</u>	<u>12,552</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Restated)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		36,261	42,763
Right-of-use assets		6,094	7,886
Investment in unlisted equities		19,407	19,407
Investment properties		59,760	59,040
Contract assets		3,987	3,987
Non-current other receivables and deposits	8	6,774	6,722
Deferred tax assets		7,253	6,122
		<u>139,536</u>	<u>145,927</u>
Current assets			
Inventories		4,839	12,068
Amounts due from related parties		22,626	24,320
Loan receivables		128,608	125,946
Contract assets		274,691	269,404
Trade and other receivables	8	347,257	328,056
Cash and cash equivalents		15,467	24,209
		<u>793,488</u>	<u>784,003</u>
Total assets		<u>933,024</u>	<u>929,930</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		58,226	58,208
Share premium		363,272	363,136
Other reserves		(3,665)	(4,128)
Retained earnings		99,695	118,346
Total equity		<u>517,528</u>	<u>535,562</u>

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Restated)
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,337	9,996
Deferred tax liabilities		19,822	19,642
		<u>29,159</u>	<u>29,638</u>
Current liabilities			
Trade and other payables	9	116,161	131,335
Lease liabilities		1,453	1,589
Contract liabilities		5,997	7,541
Bank borrowings		137,000	113,400
Other borrowings		7,091	–
Liability component of convertible bonds		94,835	91,496
Amount due to shareholders		1,096	–
Current income tax liabilities		22,704	19,369
		<u>386,337</u>	<u>364,730</u>
Total liabilities		<u>415,496</u>	<u>394,368</u>
Total equity and liabilities		<u>933,024</u>	<u>929,930</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Room 1405, 14/F., Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong. With effect from 10 June 2020, the name of the Company was changed from "Jiyi Household International Holdings Limited" to "Jiyi Holdings Limited".

The Company is an investment holding company and the Group is principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and 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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), "Interim Financial Reporting" as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value and investment properties, which are measured at fair value.

(a) Application of New and Revised HKFRSs Disclosure

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2019 of the Group, except for the adoption of new standards as the following, which are effective as of 1 January 2020. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

Adoption of amendments effective on 1 January 2020

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

The adoption of these amendments to HKFRSs has had no significant financial effect on the consolidated financial position and performance of the Group.

3. Segment information

The chief operating decision-maker (the “**CODM**”) has been identified as the chief executive officer of the Company. The chief executive officer reviews the Group’s internal reporting in order to assess performance and allocate resources. The chief executive officer has determined the operating segments based on these reports. The chief executive officer considers the business from products and services perspective, and determines that the Group has the following operating segments:

- (i) Sale and distribution of merchandise
- (ii) Provision of interior design and engineering services

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The Company currently does not allocate assets and liabilities to its segments, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of total assets or total liabilities for each reportable segment.

The segment information provided to the CODM for the reportable segments for the Reporting Period is as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment revenue		
– Sale and distribution of merchandise		
Total segment revenue	29,699	99,350
Inter-segment revenue	(2,200)	(15,426)
Revenue from external customers	27,499	83,924
– Provision of interior design and engineering services		
Total segment revenue	100,579	165,061
Revenue from external customers	100,579	165,061
	128,078	248,985
Segment cost		
– Sale and distribution of merchandise	23,942	71,251
– Provision of interior design and engineering services	94,918	143,137
	118,860	214,388

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment gross profit		
– Sale and distribution of merchandise	3,557	12,673
– Provision of interior design and engineering services	5,661	21,924
	9,218	34,597
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment gross profit	9,218	34,597
Other losses and other gains – net	(6,358)	367
Reversal of net impairment losses on financial and contract assets	3,398	360
Selling expenses	(4,792)	(5,785)
Administrative expenses	(9,520)	(12,489)
Finance costs – net	(11,324)	(4,349)
Income tax credit/(expense)	727	(4,088)
(Loss)/profit for the period	(18,651)	8,613

During the Reporting Period, all revenues of the Group were derived from the PRC.

Non-current assets, other than deferred tax assets, are mainly located in the PRC as at 30 June 2020 (31 December 2019: Same).

During the Reporting Period, there was one (2019: two) external customer contributed over 10% of the total revenue of the Group. The revenue derived from that customer during the Reporting Period was as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Provision of interior design and engineering services		
– Customer A	–	89,800
– Customer B	85,138	42,008
Sale and distribution of merchandise		
– Customer B	–	23,809
	<u> </u>	<u> </u>

Breakdown of the revenue by products or services is as follow:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Segment revenue		
Sale and distribution of merchandise		
– Building materials	16,334	69,814
– Home improvement materials	6,930	9,352
– Furnishings	4,235	4,758
	<u> </u>	<u> </u>
	27,499	83,924
Provision of interior design and engineering services	<u>100,579</u>	<u>165,061</u>
	<u>128,078</u>	<u>248,985</u>

4. Operating (loss)/profit

An analysis of the amounts presented as operating items in the financial information is given:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating items	(11,452)	16,690
Reversal of write-down of inventories	–	64
Reversal of net impairment losses on financial and contract assets	3,398	296
	<hr/>	<hr/>
Operating (loss)/profit	<u>(8,054)</u>	<u>17,050</u>

5. Income tax (credit)/expense

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	224	2,117
Deferred income tax	(951)	1,971
	<hr/>	<hr/>
	<u>(727)</u>	<u>4,088</u>

Cayman Islands income tax

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

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the six months ended 30 June 2020 (FY2019: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for as there was no business operation that is subject to Hong Kong profits tax during the Reporting Period.

PRC enterprise income tax (“EIT”)

The entities established in the PRC are subject to EIT. All PRC enterprises are subject to a standard EIT rate of 25%.

PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant WHT rate will be reduced from 10% to 5%. During the period, the Directors reassessed the dividend policy of the major subsidiary of the Company established in the PRC, Guangdong Jiye Household Building Materials Chain Co., Ltd (廣東集一家居建材連鎖有限公司) (“**Jiye Household**”), based on the Group’s current business plan and financial position, no retained earnings as of 30 June 2020 generated by Jiye Household would be distributed to its non-PRC registered intermediate holding company and as such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by Jiye Household in the PRC and not to be remitted out of the PRC in the foreseeable future.

6. (Loss)/earnings per share

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

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(loss)/profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	<u>(18,651)</u>	<u>8,613</u>

	Six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	691,457	691,200
Effect of dilutive potential ordinary shares:		
Share options	<u>11,050</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>702,507</u>	<u>691,200</u>
Basic (loss)/earnings per share (<i>RMB cents</i>)	(2.70)	1.25

No adjustment has been made to the basic loss per share amounts presented for the six months period ended 30 June 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The computation of diluted (loss)/earnings per share does not assume the conversion of the Company's outstanding convertible loan notes because the conversion price of convertible loan notes was higher than the average market price of shares for the six months ended 30 June 2020 and 2019.

7. Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

8. Trade and other receivables and deposits

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Trade receivables due from third parties	131,778	235,390
Trade receivables due from a related party	—	462
Trade receivables	131,778	235,852
Less: allowance for impairment of trade receivables	(976)	(4,636)
Trade receivables – net	130,802	231,216
Prepayments for purchase of goods and provision of services	188,292	73,125
Contract performance deposits	4,673	4,871
Project tender deposits	895	1,293
Other deposits	4,557	4,556
Other tax recoverable	11,639	11,639
Consideration receivable from transfer of leasing right	3,338	3,338
Rental deposits	695	559
Others	9,140	4,181
Total trade and other receivables and deposits	354,031	334,778
Less: Non-current portion	6,774	6,722
Current portion	347,257	328,056

The fair values of trade and other receivables and deposits approximate to their carrying values.

(a) Trade receivables

The credit periods granted to customers is between 0 to 360 days. The ageing analysis of the trade receivables based on the date of sales is as follows:

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Up to 6 months	41,960	154,582
7 to 12 months	51,965	18,609
Over 1 to 2 years	36,331	53,724
Over 2 years	546	4,301
	130,802	231,216

(b) Provision for impairment of other receivables

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
At beginning of the period/year	731	571
(Reversal of provision)/provision for impairment	(677)	160
At end of the period/year	54	731

- (c) The carrying amounts of the Group's trade and other receivables and deposits (excluded prepayments) are denominated in the following currencies:

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
RMB	165,393	260,678
HKD	346	975
	<u>165,739</u>	<u>261,653</u>

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.

9. Trade and other payables

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Trade payables (a)	74,952	93,639
Salaries and staff welfare payables	926	894
Other tax payables	9,514	9,514
Deposits received for building engineering services	8,909	5,808
Accrued construction costs	4,753	4,795
Withholding individual income tax in respect of dividends payment	16,000	16,000
Other payables	1,107	685
	<u>116,161</u>	<u>131,335</u>

The fair values of trade and other payables approximate to their carrying values.

- (a) The ageing analysis of trade payables based on invoice date were as follows:

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Within 6 months	24,047	42,233
7 to 12 months	12,819	20,933
Over 12 months	38,086	30,473
	<u>74,952</u>	<u>93,639</u>

The credit periods secured by the Group's suppliers ranges from 0 to 180 days.

- (b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at	
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
RMB	115,636	130,798
HKD	525	537
	<u>116,161</u>	<u>131,335</u>

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 FY2019:

	For the six months ended		
	30 June		
	2020	2019	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(Unaudited)	(Unaudited)	
Sale and distribution of merchandise			
– Building materials	16,334	69,814	(76.6)
– Home improvement materials	6,930	9,352	(25.9)
– Furnishings	4,235	4,758	(11.0)
	27,499	83,924	(67.2)
Provision of interior design and engineering services	100,579	165,061	(39.1)
Total	128,078	248,985	(48.6)

Total revenue of the Group decreased by approximately RMB120.9 million or approximately 48.6% from approximately RMB249.0 million for the Prior Period to approximately RMB128.1 million for the Reporting Period. Such decrease was mainly driven by the outbreak of the novel coronavirus (“**COVID-19**”) epidemic and the prevention and control measures (the “**Prevention and Control Measures**”) imposed by the local governments in the PRC which led to a decrease in the sales volumes in the sale and distribution of merchandise segment, and the closure of construction sites under the Prevention and Control Measures led to a decrease in revenue in the provision of interior design and engineering services segment 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, decreased by approximately RMB56.4 million or approximately 67.2% from approximately RMB83.9 million for the Prior Period to approximately RMB27.5 million for the Reporting Period. Sale of building materials, home improvement materials and furnishings decreased by approximately RMB53.5 million, RMB2.4 million and RMB0.5 million respectively during the Reporting Period. The sale of steel represented approximately 77.4% (FY2019: 69.4%) and 46.0% (FY2019: 57.7%) of the revenue generated from the sale of building materials and the business of sale and distribution of merchandise respectively during the Reporting Period.

The decline in performance of this business segment was mainly due to the outbreak of COVID-19 and the Prevention and Control Measures imposed by the local governments in the PRC which led to a decrease in the sales volumes of merchandise.

Revenue from provision of interior design and engineering services

The revenue from provision of interior design and engineering services decreased by approximately RMB64.5 million or approximately 39.1% from approximately RMB165.1 million for the Prior Period to approximately RMB100.6 million for the Reporting Period. Same as the sale and distribution of merchandise segment, there was also a decrease in revenue in the provision of interior design and engineering services segment due to the closure of construction sites under the Prevention and Control Measures.

Gross profit and gross profit margin

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

	For the six months ended 30 June			
	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>margin</i>	<i>RMB'000</i>	<i>margin</i>
	<i>(Unaudited)</i>	<i>%</i>	<i>(Unaudited)</i>	<i>%</i>
Sale and distribution of merchandise				
– Building materials	1,396	8.5	8,888	12.7
– Home improvement materials	1,141	16.5	2,180	23.3
– Furnishings	1,020	24.1	1,605	33.7
	<u>3,557</u>	<u>12.9</u>	<u>12,673</u>	<u>15.1</u>
Provision of interior design and engineering services	<u>5,661</u>	<u>5.6</u>	<u>21,924</u>	<u>13.3</u>
Total	<u>9,218</u>	<u>7.2</u>	<u>34,597</u>	<u>13.9</u>

The Group's revenue decreased by approximately RMB120.9 million or approximately 48.6% from approximately RMB249.0 million for the Prior Period to approximately RMB128.1 million for the Reporting Period, the Group's overall gross profit was also decreased by approximately RMB25.4 million or approximately 73.4% from approximately RMB34.6 million for the Prior Period to approximately RMB9.2 million for the Reporting Period. The Group's overall gross profit margin decreased from approximately 13.9% for the Prior Period to approximately 7.2% for the Reporting Period, which was mainly due to (i) the decrease in gross profit margin of the business of sale and distribution of merchandise and such decrease was due to the decrease in gross profit margin from all the sale of building materials, the sale of home improvement materials and the sale of furnishings; (ii) the decrease in proportion of revenue generated from provision of interior design and engineering services during the Reporting Period where the gross profit margin of provision of interior design and engineering services has decreased by approximately 7.7% due to additional costs incurred from the deferred construction projects due to the Prevention and Control Measures.

The gross profit margin of sale and distribution of merchandise also decreased from approximately 15.1% for the Prior Period to approximately 12.9% for the Reporting Period, which was mainly due to the decrease in gross profit margin from the sale of building materials of approximately 12.7% to approximately 8.5%, the sale of home improvement materials from approximately 23.3% to approximately 16.5% and the sale of furnishings from approximately 33.7% to approximately 24.1% during the Reporting Period.

The gross profit margin of provision of interior design and engineering services decreased by approximately 7.7% from approximately 13.3% for the Prior Period to approximately 5.6% for the Reporting Period. Overall, the COVID-19 and the Prevention and Control Measures slowed down business and economic activities in the PRC which had also impacted the Group's revenue and gross profit and brought challenge to the business growth, however, the Board believe that, with the tremendous effort of the management team of the Group, the Group can endure the business challenge caused by the outbreak of COVID-19 and can grow further with the recovery of business activities in the future.

Selling expenses

The Group's selling expenses dropped by approximately RMB1.0 million or approximately 17.2% from approximately RMB5.8 million for the Prior Period to approximately RMB4.8 million for the Reporting Period. Such decrease was in line with the decrease in revenue from the business of sale and distribution of merchandise and the business of provision of interior design and engineering services, and was also due to decrease in employee benefit expenses and shipping costs during the Reporting Period.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB3.0 million or approximately 23.8% from approximately RMB12.5 million for the Prior Period to approximately RMB9.5 million for the Reporting Period. The decrease was mainly due to the decrease in staff costs, the decrease in share option expenses and the decrease in depreciation expenses of right-of-use assets under HKFRS 16.

Finance costs – net

The Group's net finance costs increased by approximately RMB7.0 million or approximately 160.4% from approximately RMB4.3 million in the Prior Period to approximately RMB11.3 million in the Reporting Period, which was mainly due to the increase in the Group's borrowings cost and the increase in finance costs arising from the issuance of convertible bonds during the Reporting Period.

(Loss)/profit for the period

As a result of the foregoing, the Group's loss was approximately RMB18.7 million for the Reporting Period as compared to the profit of approximately RMB8.6 million for the Prior Period.

PROSPECTS

The outbreak of the COVID-19 and the Prevention and Control measures adopted by the local governments around the world has adversely affected the global economy and local consumption expenditures in the first-half of 2020. Many of the businesses, including the Group, has also been significantly affected by the epidemic and it is foreseen that the business situation and economy in 2020 will remain unstable and it will be an extremely challenging year for most of the companies from around the globe.

In the second half of 2020, the Group will adopt a pragmatic and enterprising approach in our business strategies. Externally, in order to catch the opportunities arising from the business and economic 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. Furthermore, the Group will expand and further develop its retail and domestic interior design and home decoration market in the Guangdong-Hong Kong-Macao Greater Bay Area. On the other hand, the Group will invest on building online distribution and e-marketing channels, on top of the traditional retail and wholesale distribution channels, to sell and distribute its building materials, home improvement materials and furnishing products.

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..

On 26 August 2020, the Group completed the acquisition of Sino Legacy Investments Limited (“**Sino Legacy**”) and its subsidiaries (the “**Acquisition**”), of which the subsidiary of Sino Legacy in the PRC, Xinjiale Cloud-based Decoration Technology Co., Limited (“**Xinjiale**”) is principally engaged in home decoration and distribution business in the PRC. The Group aims to restructure and consolidate its business segment of the provision of interior design and engineering services through the Acquisition. After the Acquisition, the home decoration businesses will be centralised and primarily undertaken by Xinjiale. The Group considers the restructuring will enhance the management efficiency and effectiveness in developing its home decoration businesses.

Moreover, the Group also aims to expand and diversify its sales and distribution channels through the acquisition of Sino Legacy, where Xinjiale is also specialised in online distribution and e-marketing activities through various internet broadcasting and live streaming channels and platforms. Since May 2020, Xinjiale has already established the first online broadcasting and live streaming distribution centre in Meizhou and has already entered into a number of service contracts, which demonstrated a rapid development and prosperous future of the Target Group. The Group considers that the new distribution model under Sino Legacy will provide the Group with greater business development and customer accessibility, lower business overhead and operating costs, and improved communications channels with suppliers, vendors and potential customers.

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

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

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

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2020, the Group had a total cash and bank balances of approximately RMB15.5 million (31 December 2019: RMB24.2 million) mainly denominated in Renminbi and Hong Kong Dollars. The decrease in total cash and bank balances was mainly due to the net cash used in operating activities of approximately RMB32.2 million, which was partially offset by the increase in bank borrowings of RMB23.6 million during the Reporting Period.

As at 30 June 2020, the Group had net current assets of approximately RMB407.2 million, as compared to approximately RMB419.3 million as at 31 December 2019.

BORROWINGS AND PLEDGE OF ASSETS

As at 30 June 2020, the Group had unutilised banking facilities for short term financing of approximately RMB5.6 million (31 December 2019: RMB20.0 million) and total bank and other borrowings of approximately RMB144.1 million (31 December 2019: RMB113.4 million).

The bank borrowings of the Group were secured by property, plant and equipment, investment properties and right-of-use assets as at 30 June 2020 and as at 31 December 2019. The bank borrowings were also jointly guaranteed by Ms. Hou Wei and Mr. Deng Jianshen, husband of Ms. Hou Wei.

CAPITAL EXPENDITURE

The Group has no material capital expenditure during the Reporting Period and for the year ended 31 December 2019.

FINANCIAL RATIO

	As at	
	30 June 2020 (Unaudited)	31 December 2019
Current ratio ⁽¹⁾	2.1	2.1
Quick ratio ⁽²⁾	2.0	2.1
Gearing ratio (%) ⁽³⁾	46.2	38.3
Net debt to equity ratio (%) ⁽⁴⁾	43.2	33.7

⁽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%.

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 2020 (31 December 2019: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 30 June 2020 (31 December 2019: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total number of 127 employees (30 June 2019: 144) and the total staff costs, including Directors' remuneration, amounted to approximately RMB4.6 million for the Reporting Period (FY2019: RMB4.9 million). There were no significant changes in the Company's headcounts 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

On 4 June 2020, the Company entered into a conditional sale and purchase agreement (the “**Agreement**”) with the then shareholders of Sino Legacy Investments Limited (the “**Vendors**”), and had conditionally agreed to acquire the entire issued share capital of Sino Legacy from the Vendors at an aggregate consideration of HK\$89,856,000, which would be settled wholly by the allotment and issue of 138,240,000 new shares (the “**Consideration Shares**”) under the general mandate granted to the directors of the Company on 30 May 2019.

Subsequently, all the conditions precedent under the Agreement had been fulfilled on 20 August 2020, and in accordance with the Agreement, the Vendors had transferred the entire share capital of Sino Legacy to the Company on 26 August 2020, and the Company had also allotted and issued the first lot of Consideration Shares, amounting to 86,246,154 shares to the Vendors on the same date. Upon the completion of the Acquisition, the Company directly owns the entire share capital of Sino Legacy and the financial results of Sino Legacy shall be consolidated into the financial statements of the Group.

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

Other than the event disclosed above, there is no material subsequent event undertaken by the Company and by the Group after 30 June 2020 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 2020.

COMPLIANCE WITH 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

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 2020 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 2020 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 2020 containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company on or before 30 September 2020.

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

Hong Kong, 28 August 2020

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*