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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 (“FY2022” or the “Reporting Period”), together with the comparative audited figures for the corresponding year ended 31 December 2021 (“FY2021”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | <i>Notes</i> | 2022 RMB'000 | 2021 RMB'000 |
|---|--------------|-------------------------------|------------------------|
| Revenue | 4 | 559,763 | 458,296 |
| Cost of sales | | (529,444) | (430,716) |
| Gross profit | | 30,319 | 27,580 |
| Other income | 5 | 7,708 | 21,105 |
| Other gains, net | | 2,945 | 7,303 |
| Distribution and selling expenses | | (5,266) | (5,433) |
| Administrative expenses | | (15,808) | (14,455) |
| Provision for impairment losses | 7 | | |
| under expected credit loss model, net | | (33,180) | (6,162) |
| Provision for impairment loss on goodwill | | (1,175) | – |
| Share-based payment expenses | | (11,903) | (303) |
| Finance costs | 6 | (13,439) | (17,846) |
| (Loss)/profit before tax | | (39,799) | 11,789 |
| Income tax expense | 8 | (117) | (3,925) |
| (Loss)/profit for the year | 9 | (39,916) | 7,864 |

| | <i>Notes</i> | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|--------------|--------------------------------------|------------------------|
| Other comprehensive income: | | | |
| <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 | | 399 | 2,046 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>6,452</u> | <u>(1,173)</u> |
| Other comprehensive income for the year, net of income tax | | 6,851 | 873 |
| Total comprehensive (loss)/income for the year | | <u>(33,065)</u> | <u>8,737</u> |
| (Loss)/profit for the year attributable to: | | | |
| – Owners of the Company | | (39,761) | 7,559 |
| – Non-controlling interests | | <u>(155)</u> | <u>305</u> |
| | | <u>(39,916)</u> | <u>7,864</u> |
| Total comprehensive (loss)/income for the year attributable to: | | | |
| – Owners of the Company | | (32,910) | 8,432 |
| – Non-controlling interests | | <u>(155)</u> | <u>305</u> |
| | | <u>(33,065)</u> | <u>8,737</u> |
| (Restated) | | | |
| (Loss)/earnings per share attributable to owners of the Company for the year | | | |
| – Basic (<i>RMB cents per share</i>) | <i>11</i> | (17.88) | 4.44 |
| – Diluted (<i>RMB cents per share</i>) | <i>11</i> | <u>(17.88)</u> | <u>4.42</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | <i>Notes</i> | 2022 | 2021 |
|---|--------------|------------------------|-----------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 19,705 | 25,009 |
| Right-of-use assets | | 7,067 | 7,605 |
| Investment properties | <i>12</i> | 61,520 | 62,500 |
| Goodwill | | 52,033 | 53,208 |
| Prepayment for acquisition of investment properties | <i>14</i> | 33,977 | 33,977 |
| Deposits and other receivables | <i>14</i> | – | 42,893 |
| Financial assets at fair value through profit or loss | | 1,178 | 1,178 |
| Deferred tax assets | | 10,633 | 6,601 |
| | | <hr/> 186,113 | <hr/> 232,971 |
| Current assets | | | |
| Inventories | | 1,218 | 4,280 |
| Amounts due from related parties | | 3,945 | 934 |
| Trade and other receivables and prepayments | <i>14</i> | 795,437 | 580,511 |
| Contract assets | <i>13</i> | 364,929 | 350,521 |
| Restricted cash | | 182 | 2,182 |
| Bank balances and cash | | 7,017 | 31,958 |
| | | <hr/> 1,172,728 | <hr/> 970,386 |
| Total assets | | <hr/> 1,358,841 | <hr/> 1,203,357 |

| | | 2022 | 2021 |
|---|--------------|-----------------------|----------------|
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current liabilities | | | |
| Trade and other payables | 15 | 120,246 | 97,609 |
| Bank borrowings | | 232,038 | 267,734 |
| Other borrowings | | 3,360 | 50,602 |
| Lease liabilities | | 41 | 181 |
| Convertible loan notes | 16 | 44,014 | 37,110 |
| Contract liabilities | | 3,483 | 1,576 |
| Income tax payables | | 28,678 | 24,971 |
| | | <u>431,860</u> | <u>479,783</u> |
| Net current assets | | <u>740,868</u> | <u>490,603</u> |
| Total assets less current liabilities | | <u>926,981</u> | <u>723,574</u> |
| Non-current liabilities | | | |
| Bank borrowings | | – | 4,404 |
| Lease liabilities | | – | 53 |
| Deferred tax liabilities | | 21,877 | 21,239 |
| | | <u>21,877</u> | <u>25,696</u> |
| Net assets | | <u>905,104</u> | <u>697,878</u> |
| Capital and reserves | | | |
| Share capital | | 112,112 | 75,223 |
| Reserves | | 792,269 | 621,777 |
| Equity attributable to owners of the Company | | <u>904,381</u> | 697,000 |
| Non-controlling interests | | <u>723</u> | <u>878</u> |
| Total equity | | <u>905,104</u> | <u>697,878</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 is to Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands 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”).

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance.

2.2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In 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, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|--------------------------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKFRS 16 | Covid-19 Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements Projects | Annual Improvements to HKFRSs 2018-2020 |
| Amendments to Accounting Guideline 5 | Merger Accounting for Common Control Combinations |

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:

| | |
|---|--|
| 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 HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹ |

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

² Effective for annual periods beginning on or after 1 January 2024.

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 consolidated financial statements of the Group in the foreseeable future.

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 2022

| | 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 | 531,973 | 28,457 | 560,430 |
| <i>Less: Inter-segment sales</i> | <u>(667)</u> | <u>–</u> | <u>(667)</u> |
| External sales | 531,306 | 28,457 | 559,763 |
| Segment cost of sales | <u>(507,173)</u> | <u>(22,271)</u> | <u>(529,444)</u> |
| Segment gross profit | <u><u>24,133</u></u> | <u><u>6,186</u></u> | <u><u>30,319</u></u> |

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 |
| <i>Less:</i> 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> |

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 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 <i>(Note)</i> | |
|-----------|--|------------------------|--|------------------------|
| | 2022 RMB'000 | 2021 <i>RMB'000</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
| The PRC | 559,763 | 458,296 | 174,302 | 184,543 |
| Hong Kong | <u>–</u> | <u>–</u> | <u>–</u> | <u>40,649</u> |
| | <u>559,763</u> | <u>458,296</u> | <u>174,302</u> | <u>225,192</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:

| | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|------------|-------------------------------|----------------------------------|
| Customer A | 108,100¹ | N/A * |
| Customer B | 88,406¹ | N/A * |
| Customer C | 71,932¹ | N/A * |
| Customer D | 55,344¹ | N/A * |
| Customer E | 55,034¹ | 148,242 ¹ |
| Customer F | <u>N/A *</u> | <u>85,296¹</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 from contracts with customers:

| Segments | For the year ended 31 December 2022 | | |
|---|--|---|-------------------------|
| | 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 | 28,389 | – | 28,389 |
| – Home improvement materials | 2,043 | – | 2,043 |
| – Furnishings | 6,424 | – | 6,424 |
| – Bulk commodity trading | 494,450 | – | 494,450 |
| Provision of interior design and building engineering services | | | |
| – Interior design | – | 2,224 | 2,224 |
| – Building engineering services | – | 26,233 | 26,233 |
| Total | 531,306 | 28,457 | 559,763 |
| Geographical markets | | | |
| The PRC | 531,306 | 28,457 | 559,763 |
| Timing of revenue recognition | | | |
| At a point in time | 531,306 | – | 531,306 |
| Over time | – | 28,457 | 28,457 |
| Total | 531,306 | 28,457 | 559,763 |

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 2022 | | |
|--|--|---------------------|---------------------|
| | Segment | Adjustments | Consolidated |
| | revenue | and | |
| | RMB'000 | eliminations | RMB'000 |
| | | RMB'000 | RMB'000 |
| Sale and distribution of merchandise | 531,973 | (667) | 531,306 |
| Provision of interior design and building engineering services | 28,457 | – | 28,457 |
| Total revenue | 560,430 | (667) | 559,763 |

| | For the year ended 31 December 2021 | | |
|--|--|--------------------|----------------|
| Segments | Sale and | Provision | Total |
| | distribution of | of interior | |
| | merchandise | design and | RMB'000 |
| | RMB'000 | building | RMB'000 |
| | | engineering | RMB'000 |
| | | services | RMB'000 |
| 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 revenue <i>RMB'000</i> | Adjustments and eliminations <i>RMB'000</i> | Consolidated <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 |

5. OTHER INCOME

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest income from financial assets at amortised costs | 6,479 | 19,315 |
| Bank interest income | 260 | 79 |
| Rental income (<i>Note</i>) | 852 | 1,621 |
| Sundry income | 117 | 90 |
| | 7,708 | 21,105 |

Note:

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

6. FINANCE COSTS

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Interest on bank borrowings | 8,282 | 10,086 |
| Effective interest expense on convertible loan notes | 5,155 | 7,740 |
| Interest on lease liabilities | 2 | 20 |
| | 13,439 | 17,846 |

7. PROVISION FOR IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| Impairment losses recognised on | | |
| – contract assets | 5,019 | 572 |
| – trade receivables | 9,022 | 2,000 |
| – other receivables and deposits | 19,139 | 3,590 |
| | <u>33,180</u> | <u>6,162</u> |

8. INCOME TAX EXPENSE

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|------------------------------|------------------------|------------------------|
| PRC EIT | | |
| Current tax | 3,707 | 7,050 |
| Overprovision in prior years | – | 773 |
| | <u>3,707</u> | <u>7,823</u> |
| Deferred tax | <u>(3,590)</u> | <u>(3,898)</u> |
| | <u>117</u> | <u>3,925</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. (LOSS)/PROFIT FOR THE YEAR

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Directors' remuneration | 2,258 | 2,452 |
| Other staff salaries, allowances and benefits in kind | 5,205 | 7,132 |
| Retirement benefit scheme contributions for other staff | 447 | 302 |
| Equity-settled share-based payment expenses for other staff | 5,857 | 303 |
| | <hr/> | <hr/> |
| Total staff costs | 13,767 | 10,189 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Auditor's remuneration | 1,139 | 1,027 |
| Depreciation of property, plant and equipment | 5,028 | 6,668 |
| Depreciation of right-of-use assets | 314 | 147 |
| Equity-settled share-based payment expenses for consultants | 6,046 | – |
| (Reversal of)/provision for write-down of inventories | (1,666) | 686 |
| Variable rental payments in respect of office premises and retail stores | | |
| – Lease rental payment [#] | 1,573 | 653 |
| | <hr/> | <hr/> |
| | 1,573 | 653 |
| | <hr/> | <hr/> |
| Gross rental income from investment properties | (852) | (1,621) |
| Less: direct operating expenses incurred for investment properties that generated rental income during the year | 163 | 163 |
| | <hr/> | <hr/> |
| | (689) | (1,458) |
| | <hr/> <hr/> | <hr/> <hr/> |

[#] 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 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

11. (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:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|----------------------------|
| (Loss)/Earnings | | |
| (Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share | <u>(39,761)</u> | <u>7,559</u> |
| | 2022 '000 | 2021 '000 (Restated) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | 222,416 | 170,364 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | <u>—</u> | <u>676</u> |
| Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share | <u>222,416</u> | <u>171,040</u> |

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share for the year ended 31 December 2021 has been restated for the capital reorganisation of the Company on 13 December 2022.

For the year ended 31 December 2022, the share options had an anti-dilutive effect on the basic (loss)/earnings per share and were ignored in the calculation of diluted (loss)/earnings per share.

For the years ended 31 December 2022 and 2021, the convertible loan notes had an anti-dilutive effect on the basic (loss)/earnings per share and were ignored in the calculation of diluted (loss)/earnings per share.

12. INVESTMENT PROPERTIES

During the years ended 31 December 2022 and 2021, 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 2021 | 61,130 |
| Transfer from property, plant and equipment | 49 |
| Transfer from right-of-use assets | 6 |
| Decrease in fair value recognised in profit or loss | (731) |
| 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>2,046</u> |
| At 31 December 2021 and 1 January 2022 | 62,500 |
| Transfer from property, plant and equipment | 386 |
| Transfer from right-of-use assets | 1 |
| Decrease in fair value recognised in profit or loss | (1,766) |
| 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>399</u> |
| At 31 December 2022 | <u><u>61,520</u></u> |

In determining the fair value of the investment properties, the Group engages the independent qualified professional valuer to perform the valuation. The management of the Group works closely with them to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair value of the investment properties to the board of directors.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used) at the end of reporting period.

| Investment properties | Valuation technique and fair value hierarchy | Significant input(s) | Relationship of inputs to fair value |
|--|---|---|--|
| 15 units of a commercial building namely Jiyi Household Material City located at No. 2 Xianzi Middle Road, Chengjiang Town, Meixian District, Meizhou, Guangdong Province, the PRC (Note 1) 2022: RMB61,520,000 2021: RMB62,500,000 | Income approach Level 3 | Gross monthly rental income ranged from RMB500 to RMB150,000 (2021: ranged from RMB500 to RMB150,000) Term yield: 2.75% (2021: 2.75%) Reversionary yield: 3.25% (2021: 3.25%) | A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa |

Note 1: The land use rights of the commercial building were granted for a term expiring on 4 September 2048 for composite uses.

Apart from the transfers from property, plant and equipment and right-of-use assets to investment properties as disclosed above, there were no other transfers into or out of Level 3 during the year (2021: Nil).

13. CONTRACT ASSETS

| | 2022 | 2021 |
|---|-----------------|---------|
| | RMB'000 | RMB'000 |
| Contract assets arising from: | | |
| Services contracts for provision of interior design and building engineering services | 378,273 | 358,846 |
| <i>Less:</i> allowance for credit losses | (13,344) | (8,325) |
| | 364,929 | 350,521 |

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Trade receivables from contracts with customers: | | |
| Due from third parties: | | |
| – sale and distribution of merchandise | 225,583 | 50,016 |
| – interior design and building engineering services | 50,827 | 53,076 |
| | <hr/> | <hr/> |
| Due from a related party: | | |
| – sale and distribution of merchandise | 431 | 382 |
| | <hr/> | <hr/> |
| | 276,841 | 103,474 |
| <i>Less:</i> allowance for credit losses | (14,797) | (5,775) |
| | <hr/> | <hr/> |
| Sub-total | 262,044 | 97,699 |
| | <hr/> | <hr/> |
| Other receivables | | |
| Contract performance deposits | 6,649 | 5,650 |
| Project tender deposits | 65,844 | 504 |
| Other tax recoverable | 1,832 | 2,295 |
| Rental deposits | 165 | 165 |
| Receivables relating to the refund of investment proceeds | 21,231 | 38,796 |
| Others | 11,490 | 7,759 |
| | <hr/> | <hr/> |
| | 107,211 | 55,169 |
| <i>Less:</i> allowance for credit losses | (24,091) | (4,054) |
| | <hr/> | <hr/> |
| Sub-total | 83,120 | 51,115 |
| | <hr/> | <hr/> |
| Prepayments | | |
| Prepayments for purchase of goods and provision of services | 372,563 | 358,256 |
| Prepayments for acquisition of investment properties | 33,977 | 33,977 |
| | <hr/> | <hr/> |
| | 406,540 | 392,233 |
| | <hr/> | <hr/> |
| Notes receivables arising from | | |
| bulk commodity trading business <i>(Note)</i> | 77,710 | 116,334 |
| | <hr/> | <hr/> |
| Total trade and other receivables and prepayments | 829,414 | 657,381 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysed as | | |
| Non-current | 33,977 | 76,870 |
| Current | 795,437 | 580,511 |
| | <hr/> | <hr/> |
| | 829,414 | 657,381 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|-----------------|-------------------------------|------------------------|
| Within 6 months | 156,403 | 29,434 |
| 6-12 months | 20,470 | 20,696 |
| 1-2 years | 37,602 | 6,462 |
| Over 2 years | 47,569 | 41,107 |
| | 262,044 | 97,699 |

As at 31 December 2022, included in the Group's trade receivable are debtors with aggregate net carrying amount of approximately RMB105,641,000 (2021: RMB68,265,000) 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 2022 and 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 2022, the original due date of such Notes are ranging from February to May 2023 (2021: original due date of such Notes were ranging from July to December 2022).

15. TRADE AND OTHER PAYABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Trade payables | 44,301 | 41,746 |
| Other payables | | |
| Salaries and staff welfare payables | 4,182 | 2,920 |
| Deposits received for building engineering services | 4,361 | 4,361 |
| Other tax payables | 16,456 | 14,845 |
| Withholding income tax in respect of dividend payment | 16,000 | 16,000 |
| Other payables | 34,946 | 17,737 |
| Sub-total | 75,945 | 55,863 |
| Trade and other payables | 120,246 | 97,609 |

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

| | 2022 | 2021 |
|-----------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 6 months | 10,122 | 16,548 |
| 6 to 12 months | – | 1,125 |
| Over 1 year | 34,179 | 24,073 |
| | <u>44,301</u> | <u>41,746</u> |

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

16. 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 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.

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\$33,000 (equivalent to approximately RMB27,000) on 24 June 2021, and approximately HK\$45,389,000 (equivalent to approximately RMB37,110,000) 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.

As of the Extended CB Maturity Date, after considering the difference between the market price of the Company’s share and the exercise price of the convertible loan notes and its impacts to the valuation of the fair value of equity component of the convertible loan notes, the amount of approximately RMB18,000 (2021: RMB10,000) from “convertible loan notes equity reserve” was transferred to “retained profits” in the consolidated statement of changes in equity for the year ended 31 December 2022.

The effective interest rate of the liability component for the extended convertible loan notes is approximately 15.0% (2021: 17.32%) per annum.

As at the date of this announcement, the Outstanding Convertible Bonds have reached the Maturity Date. The Company and the outstanding bondholder are in the course of negotiating for a further extension of the Maturity Date and the outstanding bondholder has indicated its intention to agree to an extension. Please refer to the announcement of the Company dated 31 August 2022 and further announcement(s) to be made by the Company as and when necessary in relation to the Outstanding Convertible Bonds.

The extension of the Maturity Date, if realised, 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 31 August 2022 so as to maximise returns to the Shareholders.

For further details in relation to the Outstanding Convertible Bonds, please refer to the announcements of the Company dated 23 April 2019, 25 June 2019, 24 December 2020, 31 December 2020, 24 June 2021, 16 July 2021, 24 December 2021, 17 January 2022 and 31 August 2022, the circular of the Company dated 14 May 2019, 26 January 2021, 30 July 2021 and 11 February 2022 in respect of the Extraordinary General Meeting (“EGM”), and the poll result announcement dated 30 May 2019, 22 February 2021, 10 September 2021 and 7 March 2022 in respect of the EGM.

As a result of the Share Consolidation became effective on 13 December 2022, the following adjustments were made to the exercise price of the Outstanding Convertible Bonds and the number of Consolidated Shares falling to be issued upon the exercise of the Outstanding Convertible Bonds:

| | Prior to adjustment | | After adjustment | |
|-------------------------------|---|---|--|--|
| | Exercise price per Existing Share (HK\$) | Number of Existing Shares to be issued upon full exercise of the Outstanding Convertible Bonds | Adjusted exercise price per Consolidated Share (HK\$) | Adjusted number of Consolidated Shares to be issued upon full exercise of the Outstanding Convertible Bonds |
| Outstanding convertible Bonds | 1.00 | 41,555,555 | 5.00 | 8,311,111 |

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

| | 2022 | 2021 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Equity component | | |
| Carrying amount at the beginning of the year | 18 | 28 |
| Transfer to retained earnings upon extension | (18) | (10) |
| | <hr/> | <hr/> |
| Carrying amount at the end of the year | – | 18 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liability component | | |
| Carrying amount at the beginning of the year | 37,110 | 56,248 |
| Interest charge | 5,155 | 7,740 |
| Interest paid | (428) | – |
| Converted into shares | – | (18,899) |
| Gain on modification of convertible loan notes | – | (5,360) |
| Exchange realignment | 2,177 | (2,619) |
| | <hr/> | <hr/> |
| Carrying amount at the end of the year | 44,014 | 37,110 |
| | <hr/> <hr/> | <hr/> <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the management team of the Group 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") pandemic 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 and gross profit had an increase in this year. In FY2022, the provision of interior design and building engineering services segment accounted for 5% of the total revenue (31 December 2021: 19%), while the sale and distribution of merchandise segment accounted for 95% of the total revenue (31 December 2021: 81%).

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 RMB58.0 million or approximately 67.1%, from approximately RMB86.5 million in FY2021 to approximately RMB28.5 million in FY2022. The Group also recorded a decrease in gross profit of approximately RMB11.5 million or approximately 65.0%, from approximately RMB17.7 million in FY2021 to approximately RMB6.2 million in FY2022. The gross profit margin increased from approximately 20.5% in FY2021 to approximately 21.7% in FY2022.

Sale and distribution of merchandise

The sale and distribution of merchandise remained a stable source of revenue to the Group. In FY2022, the Group experienced an overall increase of approximately RMB159.6 million or approximately 42.9% in revenue from the sale and distribution of merchandise from approximately RMB371.7 million in FY2021 to approximately RMB531.3 million in FY2022, in particular, the revenue generated from bulk commodity trading had an increase of approximately RMB209.1 million, which was offset by the decrease in revenue generated from the sale of building materials of approximately RMB41.4 million during the Reporting Period. The Group also recorded an increase in gross profit of approximately RMB14.2 million or approximately 143.4%, from approximately RMB9.9 million in FY2021 to approximately RMB24.1 million in FY2022. The gross profit margin increased from approximately 2.7% in FY2021 to approximately 4.5% in FY2022.

Overall, the Group recorded a consolidated net loss of approximately RMB39.9 million for FY2022, representing a decrease of approximately RMB47.8 million or approximately 607.6% as compared with consolidated net profit of approximately RMB7.9 million for FY2021. Such decrease was mainly resulted from the net effect of the increase in share-based payment expenses of approximately RMB11.6 million, the increase in the provision for impairment losses under expected credit loss model, net of approximately RMB27.0 million, the decrease in other income of approximately RMB13.4 million, offset by increase in gross profit of approximately RMB2.7 million as well as the decrease in finance costs of approximately RMB4.4 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 FY2021:

| | For the year ended | | Changes % |
|--------------------------------------|---------------------------|----------------|---------------|
| | 31 December | | |
| | 2022 | 2021 | |
| | RMB'000 | <i>RMB'000</i> | |
| Sale and distribution of merchandise | | | |
| – Building materials | 28,389 | 69,786 | (59.3) |
| – Home improvement materials | 2,043 | 10,653 | (80.8) |
| – Furnishings | 6,424 | 5,995 | 7.2 |
| – Bulk commodity trading* | 494,450 | 285,314 | 73.3 |
| | 531,306 | 371,748 | 42.9 |
| Provision of services | | | |
| – Interior design services | 2,224 | 21,322 | (89.6) |
| – Building engineering services | 26,233 | 65,226 | (59.8) |
| | 28,457 | 86,548 | (67.1) |
| Total | 559,763 | 458,296 | 22.1 |

* During the year ended 31 December 2021, included in the balance of approximately RMB33,342,000 of the bulk Commodity trading 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 RMB101.5 million or approximately 22.1% from approximately RMB458.3 million for FY2021 to approximately RMB559.8 million for FY2022. Such increase was mainly attributed to the increase in revenue from the provision of sale and distribution of furnishings and bulk commodity trading during the Reporting Period.

Revenue from sale of and distribution of merchandise

Revenue of the Group from sale and distribution of merchandise, comprising (i) sale of building materials; (ii) sale of home improvement materials; (iii) sale of furnishings; and (iv) bulk commodity trading, recorded an overall increase by approximately RMB159.6 million or approximately 42.9% from approximately RMB371.7 million for FY2021 to approximately RMB531.3 million for FY2022. 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 RMB41.4 million or approximately 59.3% from approximately RMB69.8 million for FY2021 to approximately RMB28.4 million for FY2022. Such decrease was mainly due to the decrease in sales of cement, offset by the increase in sales of aluminum alloy during the Reporting Period.

Sale of home improvement materials

Revenue generated from the sale of home improvement materials decreased by approximately RMB8.6 million or approximately 80.8% from approximately RMB10.6 million for FY2021 to approximately RMB2.0 million for FY2022. The decrease was mainly due to the decrease in sales of paint and other home improvement products during the Reporting Period.

Sale of furnishings

Revenue generated from the sale of furnishings increased by approximately RMB0.4 million or approximately 7.2% from approximately RMB6.0 million for FY2021 to approximately RMB6.4 million for FY2022. Such increase was mainly due to the increase in sales of electronic products and home decoration products during the Reporting Period.

Bulk commodity trading

Revenue generated from the bulk commodity trading increased by approximately RMB209.1 million or approximately 73.3% from approximately RMB285.3 million for FY2021 to approximately RMB494.4 million for FY2022. Such increase was mainly due to the increase in sales of electrolytic copper and aluminum ingot products during the Reporting Period.

Revenue from provision of services

Revenue from provision of interior design and building engineering services decreased by approximately RMB58.0 million or approximately 67.1% from approximately RMB86.5 million for FY2021 to approximately RMB28.5 million for FY2022. 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 FY2021:

| | For the year ended 31 December | | | |
|---|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2022 | | 2021 | |
| | Gross profit <i>RMB'000</i> | Gross profit margin % | Gross profit <i>RMB'000</i> | Gross profit margin % |
| Sale and distribution of merchandise | <u>24,133</u> | 4.5 | <u>9,880</u> | 2.7 |
| Provision of interior design and building engineering services | <u>6,186</u> | 21.7 | <u>17,700</u> | 20.5 |
| Total | <u><u>30,319</u></u> | 5.4 | <u><u>27,580</u></u> | 6.0 |

The revenue of the Group increased by approximately RMB101.5 million or approximately 22.1% from approximately RMB458.3 million for FY2021 to approximately RMB559.8 million for FY2022, the Group's overall gross profit increased by approximately RMB2.7 million or approximately 9.9% from approximately RMB27.6 million for FY2021 to approximately RMB30.3 million for FY2022. The increase in the Group's overall gross profit was mainly due to the increase in the gross profit margin from the sale and distribution of merchandise during the Reporting Period.

The gross profit margin of provision of interior design and building engineering services increased from 20.5% for FY2021 to 21.7% 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 increased from 2.7% for FY2021 to 4.5% for FY2022, owing primarily to the increase in gross profit margin from the business of bulk commodity trading during the Reporting Period.

Distribution and selling expenses

The Group's selling expenses decreased by approximately RMB0.1 million or approximately 1.9% from approximately RMB5.4 million for FY2021 to approximately RMB5.3 million for the Reporting Period. Such decrease was due to the closure of retail stores during the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB1.3 million or approximately 9.4% from approximately RMB14.5 million for FY2021 to approximately RMB15.8 million for the Reporting Period. The increase was mainly due to the increase in rental expenses and service fees.

Finance costs – net

The Group's net finance costs decreased by approximately RMB5.8 million or approximately 32.6% from approximately RMB17.8 million for FY2021 to approximately RMB12.0 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.

(Loss)/profit for the year

As a result of the foregoing, the Group's loss was approximately RMB39.9 million for the Reporting Period as compared to the profit of approximately RMB7.9 million for FY2021.

PROSPECTS

The year 2022 was marked by persistent challenges to the global economy, resulting from the prolonged negative economic impact of the COVID-19 pandemic and geopolitical tensions that affected international trade. The pandemic's resurgence in China led to temporary store closures and construction suspensions, which negatively impacted our business performance. Additionally, a slowdown in the property market eroded buyers' confidence, resulting in delay in new project development and decreased capital investments from real estate investors.

To address these challenges, the Group's management team implemented a multi-pronged strategy that included expanding into new markets, optimizing cost structures, and pursuing new business opportunities. For example, the Group diversified its sales and distribution channels by venturing into international bulk commodity trading, leveraging its experience and cost advantages to achieve success in this field. The Group also secured new Engineering, Procurement, and Construction (EPC) projects in several cities in the Guangdong-Hong Kong-Macao Greater Bay Area, which included the construction of solar-powered motor charging stations and several corporate construction projects. This success has significantly increased our confidence in securing new project tenders and business opportunities with corporate and governmental clients.

Looking ahead, the Group plans to further expand its presence in the Guangdong-Hong Kong-Macao Greater Bay Area, particularly in new energy supply chain and bulk commodity trading, where it sees promising growth potential. The Group remains committed to expanding its online distribution and e-marketing channels, utilizing cutting-edge technologies such as artificial intelligence to sell and distribute building materials, home improvement supplies, and furniture. Moreover, the Group is actively seeking investment opportunities to bolster its service capabilities and capacity in the merchandise sale and distribution business segment by leveraging digital transformation initiatives across traditional distribution channels. Our overarching aim is to increase our market share and scale of sales, generating sustainable benefits for both the Group and our valued shareholders.

Regarding the Group's capital market strategy, we successfully completed seven placements of new shares under general mandate in 2022, raising approximately HK\$241.4 million to bolster our financial position and foundation, and facilitate future business growth and development. The capital was allocated towards its intended purpose and has positively impacted our operations. The Group will remain focused on raising capital and proactively seek out strategic relationships with external investors to support new and existing business development and expansion.

We anticipate that the reopening of the border between Hong Kong and mainland China, coupled with the relaxation of protective measures against the COVID-19 pandemic in mainland China, will result in a rebound of business activities and economic conditions. This expected recovery is a positive development that is likely to enhance our business performance. The Group is dedicated to adhering to our pragmatic and enterprising approach in executing our business strategies, continually searching for fresh opportunities to maximize value for our shareholders.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 31 December 2022, the Group had a total cash and bank balances of approximately RMB7.0 million (31 December 2021: RMB32.0 million) mainly denominated in RMB and HK\$. The Group also had a total restricted cash balances of approximately RMB0.2 million (31 December 2021: RMB2.2 million) which was mainly related to security deposits provided to secure certain bank borrowings. The decrease in total cash and bank balances was mainly due to decrease in cash inflows from collection of trade receivables during the Reporting Period.

As at 31 December 2022, the Group had net current assets of approximately RMB741.2 million, as compared to approximately RMB490.6 million as at 31 December 2021.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group had no unutilised banking facilities for short term financing (31 December 2021: Nil) and total bank borrowings of approximately RMB232.0 million (31 December 2021: RMB272.1 million). The total bank borrowings comprised approximately RMB77.7 million (31 December 2021: RMB116.3 million) 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 2022 and 2021. 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 2022 | 31 December 2021 |
| Current ratio ⁽¹⁾ | 2.72 | 2.02 |
| Quick ratio ⁽²⁾ | 2.71 | 2.01 |
| Gearing ratio (%) ⁽³⁾ | 30.87 | 50.9 |
| Net debt to equity ratio (%) ⁽⁴⁾ | 30.08 | 46.0 |

⁽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 fees and an related expenses, have already been fully utilised during FY2019.

On 24 December 2021, the Company and the bondholders agreed to extend the maturity date of the outstanding Convertible Bonds with an aggregate principal amount of HK\$41,555,555 from 24 December 2021 to 31 August 2022 (the “Maturity Date”). Save for the extension of the maturity date, all the terms and conditions of the Convertible Bonds remain unchanged.

As of 30 June 2022, the 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 (the “Outstanding Convertible Bonds”).

As at the date of this announcement, the Outstanding Convertible Bonds have reached the Maturity Date. The Company and the holder of the Outstanding Convertible Bonds (the “Outstanding Bondholder”) are in the course of negotiating for a further extension of the Maturity Date and the Outstanding Bondholder has indicated its intention to agree to an extension. Please refer to the announcement of the Company dated 31 August 2022. Further announcement(s) to be made by the Company as and when necessary in relation to the Outstanding Convertible Bonds.

The extension of the Maturity Date, if realized, 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 31 August 2022 so as to maximise returns to the Shareholders.

For further details in relation to the Outstanding Convertible Bonds, please refer to the announcements of the Company dated 24 December 2020, 31 December 2020, 24 June 2021, 24 December 2021 and 31 August 2022, 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE AND THE USE OF PROCEEDS

On 25 January 2022, the Company allotted and issued a total of 28,022,000 placing shares to not less than six places at the placing price of HK\$1.2 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 30 November 2021. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$33.1 million. Please refer to the announcements of the Company dated 30 November 2021, 20 December 2021, 11 January 2022, 12 January 2022 and 26 January 2022 for further details.

On 15 March 2022, the Company allotted and issued a total of 48,000,000 placing shares to not less than six places at the placing price of HK\$0.9 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 4 March 2022. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$42.6 million. Please refer to the announcements of the Company dated 4 March 2022, 8 March 2022, 11 January 2022 and 15 March 2022 for further details.

On 28 April 2022, the Company allotted and issued a total of 56,000,000 placing shares to not less than six places at the placing price of HK\$0.76 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 22 April 2022. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$42 million. Please refer to the announcements of the Company dated 22 April 2022, 25 April 2022, and 28 April 2022 for further details.

On 31 May 2022, the Company allotted and issued a total of 41,431,833 placing shares to not less than six placees at the placing price of HK\$0.57 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 20 May 2022. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$23.3 million. Please refer to the announcements of the Company dated 20 May 2022 and 31 May 2022 for further details.

On 27 July 2022, the Company allotted and issued a total of 73,230,000 placing shares to not less than six placees at the placing price of HK\$0.55 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 14 July 2022. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$39.7 million. Please refer to the announcements of the Company dated 14 July 2022 and 27 July 2022 for further details.

On 17 August 2022, the Company allotted and issued a total of 45,882,000 placing shares to not less than six placees at the placing price of HK\$0.55 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 3 August 2022. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$24.9 million. Please refer to the announcements of the Company dated 3 August 2022 and 17 August 2022 for further details.

On 22 September 2022, the Company allotted and issued a total of 95,362,000 placing shares to not less than six placees at the placing price of HK\$0.38 per placing shares pursuant to the terms and conditions of the placing agreement signed between the Company and the placing agent dated 9 September 2022 (the “September Placing”). The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$35.9 million. Please refer to the announcements of the Company dated 9 September 2022 and 22 September 2022 (the “September Announcements”) for further details.

| Date of Placing | Net Proceeds Raised (Approximately) | Proposed use of proceeds | Actual and intended use of proceeds |
|------------------------|--|--|--|
| 25 January 2022 | HK\$33.1 million | General working capital of the Group | The amount has been used as intended. |
| 15 March 2022 | HK\$42.6 million | (i) approximately HK\$20 million for the repayment of trade and bill payables; (ii) approximately HK\$20 million for the repayment of other borrowings; (iii) approximately HK\$2.6 million for general working capital of the Group | The respective amount has been used for the relevant purposes as intended. |
| 28 April 2022 | HK\$42 million | Capital investment on new investment opportunities | The amount has been used as intended. |
| 31 May 2022 | HK\$23.3 million | Working capital to expand existing business segment of the sale and distribution of merchandise | The amount has been used as intended. |
| 27 July 2022 | HK\$39.7 million | Working capital to expand existing business segment of the provision of interior design and engineering services | The amount has been used as intended. |
| 17 August 2022 | HK\$24.9 million | Working capital to expand existing business segment of the provision of interior design and engineering services | The amount has been used as intended. |

| Date of Placing | Net Proceeds Raised (Approximately) | Proposed use of proceeds | Actual and intended use of proceeds |
|------------------------|--|---|--|
| 22 September 2022 | HK\$35.9 million | Repayment of the principal and interest payables of the Company's outstanding convertible bonds | Approximately HK\$35.9 million has been reallocated and utilised towards expansion of the existing business segment of the sale and distribution of merchandise. |

REASONS FOR THE CHANGE IN USE OF THE NET PROCEEDS RAISED IN THE SEPTEMBER PLACING

With reference to the September Announcements regarding the September Placing, the original intended use of proceeds raised in the September Placing was for the repayment of the outstanding principal and interests accrued and payable with respect to the Outstanding Convertible Bonds. With further reference to the Company's voluntary announcement dated 31 August 2022, the Board has been negotiating for the extension of the maturity date pursuant to the outstanding convertible bonds. In view of the ongoing negotiation progress, after further deliberation of the Board, the Board resolved to the reallocation in such manner set out in the table above. Furthermore, owing to the lifting of restrictions regarding COVID-19 pandemic in the PRC, the Board sees a spike in the demand for building and home improvement material and furnishings, and the Company intends to expand its investments in the development of the business segment of sale and distribution of merchandise of the Group by expanding its sales pipelines, which are expected to improve the profitability and/or further develop the revenue streams of the business segment of sale and distribution of merchandise for the Group.

The Board is of the view that the reallocation would allow the Group to utilise its financial resources in a more flexible, beneficial and effective way and to meet its operational and business needs of the Group.

The Board considers that the reallocation of the net proceeds raised in the September Placing will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed in this announcement, the Board confirms that there are no other changes to the use of the net proceeds raised in the September Placing.

CAPITAL REORGANISATION

In the extraordinary general meeting of the Company convened on 9 December 2022 (the “EGM”), the resolutions approving the capital reorganisation of the Company involving the share consolidation, the capital reduction and the share sub-division (the “Capital Reorganisation”) was duly passed by way of poll. The Capital Reorganisation involves:

(i) Share Consolidation (the “Share Consolidation”)

Every five (5) issued Shares of HK\$0.10 (“Existing shares”) each shall be consolidated into one (1) Consolidated Shares of HK\$0.50 each, and every five (5) unissued Existing Shares of HK\$0.10 each shall be consolidated into one (1) unissued consolidated share of HK\$0.50 each (“Consolidated Share”).

(ii) Capital Reduction (the “Capital Reduction”)

The Capital Reduction will be implemented subsequent to the Share Consolidation becoming effective, pursuant to which the par value of each of the issued Consolidated Shares will be reduced from HK\$0.50 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.49 on each of the issued Consolidated Shares. As such, the issued share capital of the Company will be reduced.

(iii) Share Sub-Division (the “Share Sub-Division”)

Immediately following the effectiveness of the Capital Reduction, the Share Sub-Division will be implemented on the basis that every unissued Consolidated Share of HK\$0.50 each in the authorised share capital of the Company shall be sub-divided into fifty (50) new shares of HK\$0.01 each (“New Shares”).

The Share Consolidation became effective after the passing of the resolution in connection with the Share Consolidation as an ordinary resolution of the Company in the EGM. The Capital Reduction and the Share Sub-Division became effective (i) after the Grand Court of the Cayman Islands made an order confirming the Capital Reduction (the “Court Order”); and (ii) upon the Court Order together with the minutes approved by the Court containing the particulars required under the Companies Act (2022 Revision, Cap. 22 of the Cayman Islands) with respect to the Capital Reduction were filed and duly registered with the Registrar of Companies in the Cayman Islands.

The effect of the Capital Reorganisation on the share capital structure of the Company is summarised as follows:

| | Before Share Reorganisation | Immediately after the share consolidation becoming effective but before the capital reduction becoming effective | Immediately after the Capital Reorganisation becoming effective |
|---|--|---|--|
| Authorised share capital | 500,000,000 | 500,000,000 | 500,000,000 |
| Par value | HK\$0.10 per Existing Share | HK\$0.50 per Consolidated Share | HK\$0.01 per New Share |
| No. of authorised shares | 5,000,000,000 Existing Shares | 1,000,000,000 Consolidated Share | 50,000,000,000 New Share |
| Par value of issued share capital (<i>HK\$</i>) | 131,882,761.20 | 131,882,761.20 | 2,637,655.22 |
| No. of issued shares | 1,318,827,612 Existing Share | 263,765,522 Consolidated Share | 263,765,522 New Share |
| No. of unissued shares | 3,681,172,388 Existing Share | 736,234,478 Consolidated Share | 49,736,234,478 New Share |
| Par value of unissued share capital (<i>HK\$</i>) | 368,117,238.80 | 368,117,238.80 | 497,362,344.80 |

Details of the Capital Reorganisation aforementioned are set out in (i) the announcements of the Company dated 4 November 2022 and 9 December 2022 respectively in relation to, among other things, the Capital Reorganisation; (ii) the circular of the Company dated 24 November 2022 in relation to the EGM; (iii) the announcement of the Company dated 9 December 2022 regarding, amongst other things, the poll results of the EGM; and (iv) the announcement of the Company dated 17 February 2022 in relation to, amongst other things, the effective date of the Capital Reduction and the Share Sub-Division.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from those disclosed in the above paragraphs, there were no material investments or additions of capital assets authorised by the Board at the date of this announcement.

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 2022 (31 December 2021: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 31 December 2022 (31 December 2021: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the employee headcount of the Group was 33 (31 December 2021: 95) and the total staff costs, including Directors' remuneration, amounted to approximately RMB13.8 million for the Reporting Period (31 December 2021: RMB10.2 million). The decrease in employee headcount was due to the strategic manpower restructuring and outsourcing plan implemented by the Group to achieve better cost control while streamlining its operations and improving overall efficiency during the Reporting Period. The increase in total staff cost was due to the increase in equity-settled share-based payment expenses 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

The hearing of the Company's petition for the Capital Reduction under the Capital Reorganisation was held on 15 February 2023 at 9:30a.m. (Cayman Islands time) before the Court, and on 15 February 2023 (Cayman Islands time), the Court made the Court Order confirming the Capital Reduction. Such Order, together with the minutes approved by the Court containing the particulars required under the Companies Act, (2022 Revision, Cap. 22 of the Cayman Islands) with respect to the Capital Reduction were filed and duly registered with the Registrar of Companies in the Cayman Islands and upon which, all the conditions precedent for the implementation of the Capital Reduction and the Share Sub-Division have been fulfilled. For further details in relation to the effective date of the Capital Reduction and the Share Sub-Division, please refer to the announcement of the Company dated 17 February 2023.

Except as disclosed in above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2022 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 2022 (31 December 2021: 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 (the "CG Code") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2022 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 2022. 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 2022.

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 2022 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 2022 and up to the date of this announcement, the audit committee of the Company (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 FY2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, 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 2022 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 2023.

By Order of the Board
Jiyi Holdings Limited
Hou Wei
Chairlady

Hong Kong, 31 March 2023

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.