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 2023

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 2023 ("FY2023" or the "Reporting Period"), together with the comparative audited figures for the corresponding year ended 31 December 2022 ("FY2022") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	4	**629,482**	559,763
Cost of sales		**(628,865)**	(529,444)
Gross profit		**617**	30,319
Other income	5	**103**	7,708
Other (expenses)/gains, net		**(15,831)**	2,945
Distribution and selling expenses		**(1,565)**	(5,266)
Administrative expenses		**(15,640)**	(15,808)
Provision for impairment losses under expected credit loss model, net	7	**(365,882)**	(33,180)
Provision for impairment loss on goodwill		**(52,033)**	(1,175)
Provision for litigation and legal expenses		**(28,028)**	–
Share-based payment expenses		**–**	(11,903)
Finance costs	6	**(9,721)**	(13,439)
Loss before tax		**(487,980)**	(39,799)
Income tax expense	8	**(10,600)**	(117)
Loss for the year	9	**(498,580)**	(39,916)

	Notes	2023 *RMB'000*	2022 *RMB'000*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of related income tax		**–**	399
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(23,295)**	6,452
Other comprehensive (loss)/income for the year, net of income tax		**(23,295)**	6,851
Total comprehensive loss for the year		**(521,875)**	(33,065)
(Loss)/profit for the year attributable to:			
— Owners of the Company		**(498,588)**	(39,761)
— Non-controlling interests		**8**	(155)
		(498,580)	(39,916)
Total comprehensive loss for the year attributable to:			
— Owners of the Company		**(521,883)**	(32,910)
— Non-controlling interests		**8**	(155)
		(521,875)	(33,065)
Loss per share attributable to owners of the Company for the year			
— Basic *(RMB cents per share)*	*11*	**(189.03)**	(17.88)
— Diluted *(RMB cents per share)*	*11*	**(189.03)**	(17.88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**17,863**	19,705
Right-of-use assets		**7,147**	7,067
Investment properties	*12*	**47,420**	61,520
Goodwill		**–**	52,033
Prepayment for acquisition of investment properties	*14*	**33,977**	33,977
Financial assets at fair value through profit or loss		**1,178**	1,178
Deferred tax assets		**–**	10,633
		107,585	186,113
Current assets			
Inventories		**1,448**	1,218
Amounts due from related parties		**–**	3,945
Trade and other receivables and prepayments	*14*	**499,117**	795,437
Contract assets	*13*	**288,270**	364,929
Restricted cash		**103**	182
Bank balances and cash		**5,642**	7,017
		794,580	1,172,728
Total assets		**902,165**	1,358,841

	Notes	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	*15*	**134,402**	120,246
Bank borrowings		**254,325**	232,038
Other borrowings		**2,760**	3,360
Lease liabilities		**269**	41
Convertible loan notes	*16*	**47,430**	44,014
Provision for litigation and legal expenses		**28,028**	–
Amounts due to related parties		**207**	–
Contract liabilities		**993**	3,483
Income tax payables		**28,645**	28,678
		497,059	431,860
Net current assets		**297,521**	740,868
Total assets less current liabilities		**405,106**	926,981
Non-current liabilities			
Deferred tax liabilities		**21,877**	21,877
		21,877	21,877
Net assets		**383,229**	905,104
Capital and reserves			
Share capital		**2,390**	112,112
Reserves		**380,108**	792,269
Equity attributable to owners of the Company		**382,498**	904,381
Non-controlling interests		**731**	723
Total equity		**383,229**	905,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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 2023 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 GOING CONCERN BASIS

For the year ended 31 December 2023, the Group incurred a net loss of approximately RMB498.6 million. As at 31 December 2023, the Group's net current assets were approximately RMB297.5 million and the Group's current liabilities (including current liabilities that are in default or cross-default or contain early repayment on demand clauses) were approximately RMB497.1 million.

In addition, as of 31 December 2023, certain bank borrowings of the Group in the amount of approximately RMB154.3 million were not repaid in accordance with the scheduled repayment dates. Accordingly, as of 31 December 2023, bank and other borrowings in the aggregate principal amount of approximately RMB154.3 million were in default or cross-default. Subsequent to 31 December 2023, certain other bank and other borrowings of the Group have not been repaid in accordance with the scheduled repayment dates.

In addition, as disclosed in EVENT AFTER THE REPORTING PERIOD in this Report, on 12 June 2023, a winding-up petition (the "Petition") was filed by 青島榮世開元商貿有限公司 (Qingdao Rongshikaiyuan Trading Company Limited*) (the "Petitioner") with the High Court of the Hong Kong Special Administrative Region (the "High Court of Hong Kong") for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous

Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petitioner's ultimate beneficial owner is an individual named Zhang Zongai (張宗愛). A copy of the winding-up petition was delivered by the Petitioner to the Company's office on 5 July 2023. The Petition is in relation to the Petitioner's claim for the Outstanding Convertible Bonds in the principal amount of HK$41,555,555.00 that had become mature on 31 August 2022. As at 12 June 2023, the Company is allegedly indebted to the Petitioner in the aggregate sum of HK$57,482,397.55, with HK$41,555,555.00 being the outstanding principal under the Bond and HK$15,926,842.55 being the accrued interest thereunder.

These events or circumstances indicate existing material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In view of the circumstances, the directors of the Company (the "Directors") have carefully considered the future liquidity and performance of the Group and the sources of financing available to the Group. The Group has formulated the following plans and measures to reduce liquidity pressure:

- The Company has been actively evaluating the current financial and operating conditions with a view to formulating a comprehensive solution that respects the rights of all stakeholders and is capable of unlocking the intrinsic value of the Group's business and assets as the domestic business environment gradually recovers. Accordingly, the Company has been communicating and constructively engaging with certain holders of senior notes and other debt issued by the Group and its financial advisers and legal advisers to facilitate the formulation of a mutually agreed debt restructuring proposal for the Group. As of the date of authorized publication of the consolidated financial statements, no agreement has been reached;

- The Group will continue to accelerate the transformation and upgrading of its business and the collection of pre-sale payment and other receivables;

- The Group will continue to seek suitable opportunities to dispose of corporate fixed assets and investment properties to generate additional cash inflows; and

- The Group has been taking measures to control administrative costs and avoid unnecessary capital expenditure in order to maintain liquidity. The Group will also actively evaluate additional measures to further reduce non-essential expenditure.

The management is of the view that the above winding up petition is made by the creditors to facilitate the process of negotiation with the Group on a comprehensive debt extension proposal. In fact, the Group has been in active communication and constructive dialogue with the bondholders' group and its financial advisers in order to facilitate the formulation of a practicable debt extension proposal for the Group's offshore debts as soon as possible. The Directors believe that the Group will be able to reach agreement with the creditors of the Group's existing borrowings in respect of debt restructuring. The Directors have considered the cash flow projections of the Group prepared by the management for a period of not less than 12 months from the end of the Reporting Period. The Directors are of the opinion that, in view of the above plans and measures, the Group will have sufficient working capital for the foreseeable future to finance its operations and to meet its financial obligations as and when they fall due as agreed with its creditors. Accordingly, they are satisfied that the consolidated financial statements for the year ended 31 December 2023 have been properly prepared on a going concern basis.

Notwithstanding the above, there remains a material uncertainty as to whether the Group will be able to realize the above plans and measures. The Group's ability to continue as a going concern will depend on the following:

(a) Its debts, including bank and other borrowings and senior notes, would be successfully extended;

(b) Successful and timely implementation of plans to accelerate the pre-sale and sale of properties under development and completed properties, accelerate the collection of outstanding sales proceeds, control costs and control capital expenditure to generate sufficient net cash inflows; and

(c) Successful sale of assets when required.

If the Group were unable to continue as a going concern, adjustments may be necessary to write down the carrying amount of assets to their net recoverable value, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Group's consolidated financial statements for the year ended 31 December 2023.

2.3 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 2023 for the preparation of the consolidated financial statements:

Standard	**Subject**
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts

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:

Standard	**Subject**	**Effective for annual periods beginning on or after**
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants ("2022 Revision")	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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 2023

	Sale and distribution of merchandise *RMB'000*	**Provision of interior design and building engineering services** *RMB'000*	**Total** *RMB'000*
Segment Revenue			
Segment revenue	**629,482**	**–**	**629,482**
Less: Inter-segment sales	**–**	**–**	**–**
External sales	**629,482**	**–**	**629,482**
Segment cost of sales	**(628,865)**	**–**	**(628,865)**
Segment gross profit	**617**	**–**	**617**

Year ended 31 December 2022

	Sale and distribution of merchandise *RMB'000*	Provision of interior design and building engineering services *RMB'000*	Total *RMB'000*
Segment Revenue			
Segment revenue	531,973	28,457	560,430
Less: Inter-segment sales	(667)	–	(667)
External sales	531,306	28,457	559,763
Segment cost of sales	(507,173)	(22,271)	(529,444)
Segment gross profit	24,133	6,186	30,319

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 *(Note)*	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**629,482**	559,763	**105,263**	174,302
Hong Kong	**–**	–	**1,144**	–
	629,482	559,763	**106,407**	174,302

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:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**496,753**[1]	N/A*
Customer B	**63,526**[1]	71,932[1]
Customer C	**59,061**[1]	N/A
Customer D	**N/A***	108,100[1]
Customer E	*	88,406[1]
Customer F	**N/A***	55,344[1]
Customer G	**N/A***	55,034[1]

1 Revenue from sale and distribution of merchandise segment.

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

* At the beginning of the business, approximately RMB344,590,000 of the bulk trade sales made in 2023 were purchased by the customers' related parties.

4. REVENUE

Disaggregation of revenue from contracts with customers:

Segments	For the year ended 31 December 2023 Sale and distribution of merchandise *RMB'000*	Provision of interior design and building engineering services *RMB'000*	Total *RMB'000*
Types of goods and services			
Sale and distribution of merchandise			
— Building materials	**3,142**	**–**	**3,142**
— Home improvement materials	**81**	**–**	**81**
— Furnishings	**–**	**–**	**–**
— Bulk commodity trading	**626,259**	**–**	**626,259**
Provision of interior design and building engineering services			
— Interior design	**–**	**–**	**–**
— Building engineering services	**–**	**–**	**–**
Total	**629,482**	**–**	**629,482**
Geographical markets			
The PRC	**629,482**	**–**	**629,482**
Timing of revenue recognition			
At a point in time	**629,482**	**–**	**629,482**
Over time	**–**	**–**	**–**
Total	**629,482**	**–**	**629,482**

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 2023		
	Segment revenue *RMB'000*	**Adjustments and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Sale and distribution of merchandise	**629,482**	**–**	**629,482**
Provision of interior design and building engineering services	**–**	**–**	**–**
Total revenue	**629,482**	**–**	**629,482**

	For the year ended 31 December 2022		
	Sale and distribution of merchandise *RMB'000*	Provision of interior design and building engineering services *RMB'000*	Total *RMB'000*
Segments			
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 revenue *RMB'000*	Adjustments and eliminations *RMB'000*	Consolidated *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

5. OTHER INCOME

	2023 *RMB'000*	2022 *RMB'000*
Interest income from financial assets at amortised costs	**–**	6,479
Bank interest income	**11**	260
Rental income *(Note)*	**–**	852
Sundry income	**92**	117
	103	7,708

Note:

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

6. FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank borrowings	**6,956**	8,282
Effective interest expense on convertible loan notes	**2,757**	5,155
Interest on lease liabilities	**8**	2
	9,721	13,439

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

	2023	2022
	RMB'000	*RMB'000*
Impairment losses recognised on		
— contract assets	**16,600**	5,019
— trade receivables	**349,640**	9,022
— other receivables and deposits	**(358)**	19,139
	365,882	33,180

8. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
PRC EIT		
Current tax	**–**	3,707
Overprovision in prior years	**(33)**	–
	(33)	3,707
Deferred tax	**10,633**	(3,590)
	10,600	117

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):

	2023	2022
	RMB'000	*RMB'000*
Directors' remuneration	**2,365**	2,258
Other staff salaries, allowances and benefits in kind	**3,928**	5,205
Retirement benefit scheme contributions for other staff	**230**	447
Equity-settled share-based payment expenses for other staff	**–**	5,857
Total staff costs	**6,523**	13,767
Auditor's remuneration		
Depreciation of property, plant and equipment	**1,245**	1,139
Depreciation of right-of-use assets	**1,999**	5,028
Equity-settled share-based payment expenses for consultants	**150**	314
Reversal of write-down of inventories	**–**	6,046
Variable rental payments in respect of office premises and retail stores	**–**	(1,666)
— Lease rental payment[#]	**1,128**	1,573
	1,128	1,573
Gross rental income from investment properties	**–**	(852)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**18**	163
	18	(689)

[#] 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 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11. LOSS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
LOSS		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(498,588)**	(39,761)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**263,766**	222,416
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**263,766**	222,416

For the year ended 31 December 2023, the share options had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

For the years ended 31 December 2023 and 2022, the convertible loan notes had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

12. INVESTMENT PROPERTIES

During the years ended 31 December 2023 and 2022, the Group leases out commercial property units under operating leases with rentals receivables monthly. The leases typically run for an initial period of 1 year to 15 years and no unilateral rights to extend the lease beyond initial period held by the Group and lessees. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

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

	Investment properties *RMB'000*
At 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	399
At 31 December 2022 and 1 January 2023	**61,520**
Transfer from property, plant and equipment	**–**
Transfer from right-of-use assets	**–**
Decrease in fair value recognised in profit or loss	**(14,100)**
Increase in fair value recognised upon transfer from property, plant and equipment and right-of-use assets to investment properties in other comprehensive income	**–**
At 31 December 2023	**47,420**

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**
2023: 10 units of a commercial building namely Jiyi Household Material City (with a gross floor area of 5,625.53 square metres) located at No. 2 Xianzi Middle Road, Chengjiang Town, Meixian District, Meizhou, Guangdong Province, the PRC *(Note 1)*	2023: Market approach Level 2	2023: The market price per square metre ranged from RMB6,825 to RMB9,000	2023: The higher the market price per square metre, the higher the fair value and vice versa
2022: 15 units of a commercial building namely Jiyi Household Material City (with a gross floor area of 5,070.52 square metres) located at No. 2 Xianzi Middle Road, Chengjiang Town, Meixian District, Meizhou, Guangdong Province, the PRC *(Note 1)*	2022: Income approach Level 3	2022: Monthly rental ranged from RMB500 to RMB150,000 Term yield: 2.75% Reversionary yield: 3.25%	2022: A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value, and vice versa
2023: RMB47,420,000 2022: RMB61,520,000			

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 (2022: Nil).

13. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets arising from:		
Services contracts for provision of interior design and building engineering services	**318,214**	378,273
Less: allowance for credit losses	**(29,944)**	(13,344)
	288,270	364,929

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers:		
Due from third parties:		
— sale and distribution of merchandise	**283,509**	225,583
— interior design and building engineering services	**50,827**	50,827
Due from a related party:		
— sale and distribution of merchandise	**431**	431
	334,767	276,841
Less: allowance for credit losses	**(16,589)**	(14,797)
Sub-total	**318,178**	262,044

	2023	2022
	RMB'000	*RMB'000*
Other receivables		
Contract performance deposits	**6,649**	6,649
Project tender deposits	**65,844**	65,844
Other tax recoverable	**1,447**	1,832
Rental deposits	**165**	165
Receivables relating to the refund of investment proceeds	**21,231**	21,231
Others	**9,336**	11,490
	104,672	107,211
Less: allowance for credit losses	**(23,733)**	(24,091)
Sub-total	**80,939**	83,120
Prepayments		
Prepayments for purchase of goods and provision of services	**347,848**	37,256
Less: allowance for credit losses	**(347,848)**	–
Prepayments for acquisition of investment properties	**33,977**	33,977
	33,977	406,540
Notes receivables arising from bulk commodity trading business *(Note)*	**100,000**	77,710
Total trade and other receivables and prepayments	**533,094**	829,414
Analysed as		
Non-current	**33,977**	33,977
Current	**499,117**	795,437
	533,094	829,414

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

	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**86,320**	156,403
6–12 months	**19,185**	20,470
1–2 years	**127,502**	37,602
Over 2 years	**85,171**	47,569
	318,178	262,044

As at 31 December 2023, included in the Group's trade receivable are debtors with aggregate net carrying amount of approximately RMB231,858,000 (2022: RMB105,641,000) 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 2023 and 2022, 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 2023, the original due date of such Notes was 12 January 2024 (2022: original due date of such Notes were ranging from February to May 2023).

15. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**41,768**	44,301
Other payables		
Salaries and staff welfare payables	**5,597**	4,182
Deposits received for building engineering services	**4,361**	4,361
Other tax payables	**12,132**	16,456
Withholding income tax in respect of dividend payment	**16,000**	16,000
Bank interest payable	**11,056**	4,100
Other payables	**43,488**	30,846
Sub-total	**92,634**	75,945
Trade and other payables	**134,402**	120,246

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

	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**144**	10,122
Over 1 year	**41,624**	34,179
	41,768	44,301

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 at 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:

	2023	2022
	RMB'000	*RMB'000*
Equity component		
Carrying amount at the beginning of the year	**–**	18
Transfer to retained earnings upon extension	**–**	(18)
Carrying amount at the end of the year	**–**	–
Liability component		
Carrying amount at the beginning of the year	**44,014**	37,110
Interest charge	**2,757**	5,155
Interest paid	**–**	(428)
Exchange realignment	**659**	(2,177)
Carrying amount at the end of the year	**47,430**	44,014

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 had an increase in this year. In FY2023, the provision of interior design and building engineering services segment accounted for 0% of the total revenue (31 December 2022: 5%), while the sale and distribution of merchandise segment accounted for 100% of the total revenue (31 December 2022: 95%).

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 RMB28.5 million or approximately 100.0%, from approximately RMB28.5 million in FY2022 to RMB0 in FY2023. The Group also recorded a decrease in gross profit of approximately RMB6.2 million or approximately 100.0%, from approximately RMB6.2 million in FY2022 to RMB0 in FY2023. The gross profit margin decreased from approximately 21.7% in FY2022 to 0 in FY2023.

Sale and distribution of merchandise

The sale and distribution of merchandise remained a stable source of revenue to the Group. In FY2023, the Group experienced an overall increase of approximately RMB98.2 million or approximately 18.5% in revenue from the sale and distribution of merchandise from approximately RMB531.3 million in FY2022 to approximately RMB629.5 million in FY2023, in particular, the revenue generated from bulk commodity trading had an increase of approximately RMB131.8 million, which was offset by the decrease in revenue generated from the sale of building materials of approximately RMB25.2 million during the Reporting Period. The Group also recorded a decrease in gross profit of approximately RMB23.5 million or approximately 97.5%, from approximately RMB24.1 million in FY2022 to approximately RMB0.6 million in FY2023. The gross profit margin decreased from approximately 4.5% in FY2022 to approximately 0.1% in FY2023.

Overall, the Group recorded a consolidated net loss of approximately RMB498.6 million for FY2023, representing an increase of approximately RMB458.7 million or approximately 1,149.62% as compared with consolidated loss of approximately RMB39.9 million for FY2022. Such increase was mainly resulted from the net effect of the increase in provision for impairment loss under the expected credit loss model by approximately RMB332.7 million, increase in provision for impairment loss of goodwill by approximately RMB50.9 million, increase in provision for litigation and legal fees by approximately RMB28.0 million, decrease in share-based payment expenses by approximately RMB11.9 million, increase in other net expenses by approximately RMB18.8 million, offset by decrease in gross profit of approximately RMB29.7 million as well as the decrease in finance costs of approximately RMB3.7 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 FY2022:

	For the year ended 31 December		
	2023	2022	Changes
	RMB'000	*RMB'000*	*%*
Sale and distribution of merchandise			
— Building materials	**3,142**	28,389	**(88.9)**
— Home improvement materials	**81**	2,043	**(96.0)**
— Furnishings	**–**	6,424	**(100.0)**
— Bulk commodity trading*	**626,259**	494,450	**26.7**
	629,482	531,306	**18.5**
Provision of services			
— Interior design services	**–**	2,224	**(100.0)**
— Building engineering services	**–**	26,233	**(100.0)**
	–	28,457	**(100.0)**
Total	**629,482**	559,763	**12.5**

Total revenue of the Group increased by approximately RMB69.7 million or approximately 12.5% from approximately RMB559.8 million for FY2022 to approximately RMB629.5 million for FY2023. 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 RMB98.2 million or approximately 18.5% from approximately RMB531.3 million for FY2022 to approximately RMB629.5 million for FY2023. 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 RMB25.3 million or approximately 89.1% from approximately RMB28.4 million for FY2022 to approximately RMB3.1 million for FY2023. Such decrease was mainly due to the decrease in sales of cement and other building materials products, offset by the decrease 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 RMB1.92 million or approximately 96.0% from approximately RMB2.0 million for FY2022 to approximately RMB0.08 million for FY2023. 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 decreased by approximately RMB6.4 million or approximately 100.0% from approximately RMB6.4 million for FY2022 to RMB0 for FY2023. Such decrease was mainly due to the decrease 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 RMB131.9 million or approximately 26.7% from approximately RMB494.4 million for FY2022 to approximately RMB626.3 million for FY2023. 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 RMB28.5 million or approximately 100.0% from approximately RMB28.5 million for FY2022 to RMB0 for FY2023. 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.

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 FY2022:

	For the year ended 31 December			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Sale and distribution of merchandise	**617**	**0.1**	24,133	4.5
Provision of interior design and building engineering services	**–**		6,186	21.7
Total	**617**	**0.1**	30,319	5.4

The revenue of the Group increased by approximately RMB69.7 million or approximately 12.5% from approximately RMB559.8 million for FY2022 to approximately RMB629.5 million for FY2023, the Group's overall gross profit decreased by approximately RMB29.7 million or approximately 98.2% from approximately RMB30.3 million for FY2022 to approximately RMB0.6 million for FY2023. The decrease in the Group's overall gross profit was mainly due to the decrease in the revenue and gross profit margin other than the bulk commodity trading during the Reporting Period.

Due to the decrease in corporate project business, the gross profit margin of provision of interior design and building engineering services decreased from 21.7% for FY2022 to 0 for the Reporting Period.

The gross profit margin of the business of sale and distribution of merchandise decreased from 4.5% for FY2022 to 0.1% for FY2023, mainly due to the decrease in gross profit margin from the sale and distribution of merchandise including bulk commodity trading during the Reporting Period.

Distribution and selling expenses

The Group's selling expenses decreased by approximately RMB3.7 million or approximately 69.8% from approximately RMB5.3 million for FY2022 to approximately RMB1.6 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 decreased by approximately RMB0.2 million or approximately 1.3% from approximately RMB15.8 million for FY2022 to approximately RMB15.6 million for the Reporting Period, and the change is not significant.

Finance costs — net

The Group's net finance costs decreased by approximately RMB3.7 million or approximately 27.6% from approximately RMB13.4 million for FY2022 to approximately RMB9.7 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 for the year

As a result of the foregoing, the Group's loss was approximately RMB498.6 million for the Reporting Period as compared to the loss of approximately RMB39.9 million for FY2022.

PROSPECTS

During 2023, the Group's results for the FY2023 were directly impacted by the many challenges that continued to be faced globally and in China. In the post pandemic era, the business environment is adapting to a new normal, the economic recovery is taking time and further stimulus measures are needed. Real estate transactions declined on a period-on-period basis as buyers postponed new home purchases (partly in anticipation of the risk of default by real estate developers). Various stimulus measures, such as lowering initial payments, reducing borrowing costs and lowering the reserve ratio for bank deposits, have had little effect on restoring buyer confidence among investors or end-users. In light of the economic recovery process after the financial crisis, the Group remains cautiously optimistic and is actively seeking to transform its business despite the current uncertainties in China's economic prospects.

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 the overall prospects for 2024 to be cautious. The business environment continues to be volatile, with an uncertain economic prospects and unpredictable pre-sales periods. Although the channels for generating cash flow are limited, the Group holds a sizable portfolio of investment properties and hotels with signs of continued recovery. Notwithstanding the cautious prospects, the management remains optimistic for 2024 based on its past experience in more difficult environments. Currently, stakeholders have also adopted a pragmatic attitude, recognizing that no company is immune to the turbulence caused by the economic environment and negative sentiment in the real estate sector. Finally, the management has been transparent and accountable in its dealings with shareholders, banks and lenders, which has increased communication and credibility on both sides, acting in the best interests of stakeholders through corporate actions.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 31 December 2023, the Group had a total cash and bank balances of approximately RMB5.6 million (31 December 2022: RMB7.0 million) mainly denominated in RMB and HK$. The Group also had a total restricted cash balances of approximately RMB0.1 million (31 December 2022: RMB0.2 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 2023, the Group had net current assets of approximately RMB297.5 million, as compared to approximately RMB740.9 million as at 31 December 2022.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2023, the Group had no unutilised banking facilities for short term financing (31 December 2022: Nil) and total bank borrowings of approximately RMB254.3 million (31 December 2022: RMB232.0 million). The total bank borrowings comprised approximately RMB100.0 million (31 December 2022: RMB77.7 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 2023 and 2022. 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 2023	31 December 2022
Current ratio[1]	**1.60**	2.72
Quick ratio[2]	**1.60**	2.71
Gearing ratio *(%)*[3]	**67.08**	30.87
Net debt to equity ratio *(%)*[4]	**65.58**	30.08

(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 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 at 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 placees 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 placees 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 placees 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.

Date of Placing	Net Proceeds Raised (Approximately)	Proposed use of proceeds	Actual and intended use of proceeds
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$0.01 per New Share
No. of authorised shares	5,000,000,000 Existing Shares	1,000,000,000 Consolidated Share	50,000,000,000 New Share
Par value of issued share capital *(HK$)*	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

	Before Share Reorganisation	Immediately after the share consolidation becoming effective but before the capital reduction becoming effective	Immediately after the Capital Reorganisation becoming effective
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 *(HK$)*	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 2023 (31 December 2022: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 31 December 2023 (31 December 2022: Nil).

LITIGATION

Details of the Company's litigation will be disclosed in the financial report for the year 2023, which involves bank loans, remuneration, tax and other debts due. In accordance with the relevant requirements of the Accounting Standards and based on the principle of prudence, the Company has provided for the estimated liabilities of the pending litigation totalling RMB28.0 million for the year 2023 based on the outcome of the litigation judgement, which will reduce the Company's net profit attributable to the shareholders of the listed company for the year 2023 by RMB28.0 million, and the specific impact of this judgement on the Company is subject to the final execution of the case.

The associated subsidiaries of the Group were involved in litigation and arbitration cases, all of which were caused by the downturn of the domestic economy and the unprecedented impact on the industry to which the Group belongs, the large-scale extension of the construction works in the early stage of the construction period, the failure to make timely repayment of the payments for the governmental works as well as the payments for the other works. In order to ensure that the Company's business continues to progress, it has been necessary to increase the relevant borrowings and financing and to reduce and defer the relevant expenses, which has further aggravated the pressure on the Company's capital and led to numerous litigation and arbitration cases. In respect of the amounts involved in the current litigation and arbitration cases, large amounts of the cases were secured by the relevant properties belonging to the Company and its senior management, and the Company's receivables were sufficient to cover the payment of such amounts, therefore, the management of the Company is of the view that the litigation and arbitration cases involved in the associated subsidiaries of the Group will not have a material impact on the audit for the current period.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the employee headcount of the Group was 21 (31 December 2022:33) and the total staff costs, including Directors' remuneration, amounted to approximately RMB6.5 million for the Reporting Period (31 December 2022: RMB13.8 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

On 12 June 2023, a winding-up petition (the "Petition") was filed by 青島榮世開元商貿有限公司 (Qingdao Rongshikaiyuan Trading Company Limited*) (the "Petitioner") with the High Court of the Hong Kong Special Administrative Region (the "High Court of Hong Kong") for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Petitioner's ultimate beneficial owner is an individual named Zhang Zongai (張宗愛). A copy of the winding-up petition was delivered by the Petitioner to the Company's office on 5 July 2023. The Petition is in relation to the Petitioner's claim for the Outstanding Convertible Bonds in the principal amount of HK$41,555,555.00 that had become mature on 31 August 2022. As at 12 June 2023, the Company is allegedly indebted to the Petitioner in the aggregate sum of HK$57,482,397.55, with HK$41,555,555.00 being the outstanding principal under the Bond and HK$15,926,842.55 being the accrued interest thereunder.

The Board believes that the Petition does not represent the interests of other stakeholders of the Group and may impair its value. As a result, the Company is in the course of seeking advice from its legal advisors to determine the next steps and possible legal actions to safeguard the rights and interests of the Company and other stakeholders. In view of the impact of the possible winding-up order on the transfer of Shares, meanwhile, the Company is actively and amicably negotiating with the Petitioner for a possible withdrawal of the winding-up petition.

Except as disclosed in above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2023 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 2023 (31 December 2022: 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 2023 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 2023. 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 2023.

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 2023 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.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

The following is a summary of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023 issued by the Company's external auditor, McMillan Woods (Hong Kong) CPA Limited:

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Jiyi Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Material uncertainties relating to the going concern basis

As explained in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB499 million for the year ended 31 December 2023, and, as of that date, the Group had bank balances and cash amounted of approximately RMB6 million, while its bank and other borrowings, and convertibles loan notes totally amounted to approximately RMB254 million

("Borrowings"), as detailed in respective notes to the consolidated financial statements, which were in defaulted or cross-defaulted or contain early repayment on demand clauses as at 31 December 2023. The outstanding principal amounts and related overdue interests of the Borrowings amounting to approximately RMB254 million and RMB11 million, respectively, become overdue and remained unsettled as at the date of approval for issuance of the consolidated financial statements.

Since May 2023 onwards, Zheshang Bank and other several banks (the "Banks"), creditors of the Group's major subsidiaries, including Guangdong Jiyi Household Building Materials Chain Co. Ltd and Guangdong Jiyi Xinya Decoration and Design Construction Company Limited and other subsidiaries in the PRC (altogether known as "Jiyi PRC Subsidiaries"), have individually applied to the district courts and successfully be granted from the court for enforcement orders on Jiyi PRC Subsidiaries, to order Jiyi PRC Subsidiaries to realise all its pledged assets, including but not limited to, the Group's property, plant and equipment, investment properties, land use right in the PRC which recognised as right-of-use assets and the property in the PRC held by Chief Executive Officer located in the PRC, to be used for repayment to the Banks the outstanding debts which were guaranteed by the Group's subsidiaries and key managements, as detailed in respective notes to the consolidated financial statements, with the principal amount of approximately RMB150 million.

Apart from the overdue Banks Borrowings, a winding-up petition was filed by 青島榮世開元商貿有限公司 (Qingdao Rongshikaiyuan Trading Company Limited), the holder of the Company's convertible loan notes, with the overdue principal amount of approximately RMB41.6 million, the High Court of the Hong Kong Special Administrative Region (the "High Court of Hong Kong") for the winding-up of the Company under the provision of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). For updates and details, please refer to the Company's announcement dated 3 May 2024 accordingly.

Furthermore, Jiyi PRC Subsidiaries was indebted to (i) its former employees; (ii) trade creditors and constructors for overdue(i) salary payment and social insurance obligation; and (ii) several overdue project and material costs in total amounts of approximately RMB5.60 million and RMB4.7 million, respectively. In addition to above, Jiyi PRC Subsidiaries was indebted to local tax authority in a total amount of approximately RMB12.9 million, as further detailed in respective note under "Litigation" to the consolidated financial statements. The aforementioned outstanding amounts as well as relevant potential litigation fees to be borne by the Group, remained unsettled as at the date of approval of these consolidated financial statements.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB6 million which is insufficient to fully repay the Borrowings and outstanding amounts as above-mentioned, regardless the potential financial impact arising from the unauthorised guarantee arrangements as further elaborate in second matter for the basis of disclaimer of opinion below. These factors, along with other matters as described in Note 2 to the consolidated financial statements, indicate the existence of multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are inherently uncertain and subject to multiple uncertainties, including (i) whether the Group is able to implement its cost control measures to attain positive cash flows from operations; (ii) whether the Group is able to successfully negotiate with the Banks, other lenders, and other creditors to restructure and/or refinance the Borrowings and outstanding debts, and secure necessary credit facilities to provide additional funds to meet the Group's working capital and financial requirements in the near future; and (iii) whether the Company is able to successfully implement alternative capital raising initiatives to strengthen the capital base of the Group.

However, in view of the extent of the inherent uncertainty relating to aforementioned measures to be undertaken by the directors to support the going concern of the Group, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

2. Unauthorised guarantee arrangements

During the course of our audit, we identified certain legal claims were filed against Jiyi PRC Subsidiaries and certain existing and former key management of the Jiyi PRC Subsidiaries, including Ms. Hou Wei (the "Key Management"), the Chairlady and executive director of the Company and Jiyi PRC Subsidiaries. These legal claims were made against the Key Management solely arose from the default on principal and interest payments of several loans as detailed in respective note under "Litigation" to the consolidated financial statements. These loans were arranged between the Key Management and financial institutions in favour of financial guarantees provided by Jiyi PRC Subsidiaries. It has also come to our attention that the board of directors did not aware of and approve these financial guarantee arrangements. Accordingly, the abovementioned guarantee arrangements were considered as unauthorised transactions (the "Unauthorised Transactions").

The Unauthorised Transactions and related litigations may have significant financial implications, including potential liabilities and contingent liabilities, which have not been assessed and disclosed in the consolidated financial statements. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the nature and extent of the Unauthorised Transactions as well as their impact on the consolidated financial statements. Consequently, we are unable to determine whether any adjustments might have been necessary in respect of the consolidated financial statements of the Group as at 31 December 2023.

During the course of our audit, we planned our procedures to obtain audit evidence in respect of the above loan agreements and related guarantee agreements. However, we were unable to obtain sufficient and appropriate audit evidence nor practicable alternative procedures that we could perform to satisfy ourselves to the completeness and accuracy of the information and documents related to the loan agreements and guarantee agreements presented to us for the purpose of our audit, and the accuracy and completeness of the disclosures in the Group's consolidated financial statements.

We have communicated with the audit committee and board of directors and requested the Company to establish an independent investigation committee or to engage a third-party independent professional advisor to investigate the above matters. Up to the approval date of this report, the independent investigation committee has not been established. As a result, we were unable to verify the complete details of the Unauthorised Transactions.

3. Compliance with HKFRSs and applicable laws and regulations

As disclosed in note 2 to the consolidated financial statements, the financial statements of the Group have been prepared by the directors of the Company under the circumstances of limited financial information concerning the complete set of records of the Unauthorised Transactions. The Board believed it was not practicable to ascertain the completeness and accuracy of the information and documents related of the Unauthorised Transactions for inclusion in the financial statements due to lack of relevant internal control on governing such Unauthorised Transactions.

In addition, as mentioned in both "1. Material uncertainties relating to the going concern basis" and "2. Unauthorised guarantee arrangements", the matters, including but not limit to the pending litigation with detailed background and potential financial impact, described therein would fall into the disclosure requirement in due course and any departure from the disclosure requirement also caused the Board to believe it was unable to assert that the financial statements complied with HKFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules had been complied with.

Accordingly, the notes to the financial statements do not contain the statement of compliance with HKFRSs and these disclosure requirements. This constitutes a non-compliance with the relevant disclosure requirements to state such compliance in the financial statements. As such, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there was noncompliance with applicable laws and regulations by the Company and its subsidiaries and hence about the completeness of any actual or contingent liabilities in the financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed unrecorded provisions or undisclosed contingent liabilities and hence whether there were material misstatements of the financial statements due to non-compliance with laws and regulations.

Any adjustments found to be necessary may have a consequential significant effect on the net liabilities or net assets of the Group as at 31 December 2023 and of the result and other comprehensive income or loss and cash flows of the Group for the years then ended and the related disclosures thereof in the financial statements.

Up to the date of approval of the consolidated financial statements, the Group's measures, if any, described above have not yet been completed. There were material uncertainties on the Group's ability to execute the future plan. In view of the significance of the extent of the uncertainty relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of year ended 31 December 2023. Should the Group fail to achieve all of the above-mentioned measures on a timely basis, it may not be able to continue as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

MANAGEMENT'S SUPPLEMENT TO THE BASIS OF DISCLAIMER OF OPINION ON THE INDEPENDENT AUDITOR'S REPORT

As with every financial year, we are grateful to all our stakeholders for their patience and continued support during such a turbulent period, and to our independent auditors, McMillan Woods (Hong Kong) CPA Limited, for their audit work in recent years.

In respect of the unauthorised guarantee arrangement: we have appointed law firms in Mainland China and Hong Kong to carry out an investigation in conjunction with the Audit Committee and the Board of Directors, and have issued the "Legal Opinion on the Litigation and Arbitration Situation Involving Associated Companies of Jiyi Holdings Limited", and the main findings of the investigation are that individuals who are substantial shareholders of the Group and family members had obtained bank loans by providing guarantees on their own properties and personal credits and the corresponding funds of such loans had been utilized for the Group's operational needs. Taking into account the actual flow and use of funds, the fact that the Group was already under suspension of trading which did not have a significant impact on market trading, although the Group has not fulfilled the compliance disclosure requirements under connected transactions in accordance with Chapter 14A of the Listing Rules, the management considers that such circumstances were inadvertent in the context of the urgency of the need for funds. In this regard, the management has undertaken to enhance compliance training and to make up the required disclosures under the above transactions in accordance with the compliance requirements.

In respect of the going concern basis: the Group had not repaid certain bank borrowings amounting to approximately RMB154.3 million as at 31 December 2023 in accordance with the scheduled repayment dates, such bank debts were guaranteed by the Company's real estate and were also guaranteed by the shareholders' personal and family members' guarantees with their own properties and personal credits, which have mitigated the Company's debt servicing problem to a certain extent; In relation to the Petitioner's claim in respect of the outstanding convertible bonds with a principal amount of HK$41,555,555.00 which become mature on 31 August 2022, the Group has been in active communication and constructive dialogue with the bondholders' group and its financial advisers in order to facilitate the formulation of a practicable debt extension proposal for the Group's offshore debts as soon as possible; athough the domestic real estate related industry is facing greater difficulties, the Group is only upstream and downstream of the industry and is not involved in the real estate development business. The related industry, including the Group, has been making efforts in recent years to undergo business transformation and reduce the development of traditional building materials and engineering business, the Group has avoided to the greatest extent possible the severe situation similar to that faced by other large-scale real estate companies in recent years, and the Group has already made certain progress in the new areas of business. We will continue our efforts in expanding our business in new areas and strive to achieve profitability in the near future, achieve operating cash flow sufficient to repay current debts as they fall due, create more job opportunities and tax contribution, and realize more net profit to reward all stakeholders.

The industry is facing significant difficulties and external factors are having a significant impact on the Group's operations. Our senior management team will continue to endeavour to meet the challenges ahead and to protect the best interests of our shareholders and creditors from start to finish. We have experienced first-hand the tremendous pressure and challenges faced by our management team, and we remain steadfast in our hard work and dedication. We hereby urge our shareholders to be patient as we navigate the turbulence. Our management team will remain vigilant and dedicated, with the interests of all stakeholders as our top priority.

AUDIT COMMITTEE

As at 31 December 2023 and up to the date of this announcement, the audit committee of the Company (the "Audit Committee") comprised three members, namely, Mr. Chen Zenghua (chairman of the Audit Committee), Ms. Chen Tao 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 FY2023.

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 2023 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 15 July 2024.

By Order of the Board
Jiyi Holdings Limited
Hou Wei
Chairlady

Hong Kong, 28 June 2024

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.