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Jiyi Household International Holdings Limited
集一家居國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1495)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Jiyi Household International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**" or "**FY2019**"), together with the comparative figures for the corresponding period in 2018 (the "**Prior Period**" or "**FY2018**") as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June**	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*3*	**248,985**	262,972
Cost of sales	*3*	**(214,388)**	(234,357)
Gross profit		**34,597**	28,615
Selling expenses		**(5,785)**	(8,722)
Administrative expenses		**(12,489)**	(6,749)
Other income and gains – net		**367**	–
Reversal of net impairment losses on financial and contract assets		**360**	–
Operating profit	*4*	**17,050**	13,144
Finance income		**26**	54
Finance costs		**(4,375)**	(2,819)
Finance costs – net		**(4,349)**	(2,765)
Profit before income tax		**12,701**	10,379
Income tax expense	*5*	**(4,088)**	(3,365)
Profit for the period, all attributable to equity holders of the Company		**8,613**	7,014
Earnings per share attributable to equity holders of the Company for the period			
– Basic and diluted *(RMB cents per share)*	*6*	**1.25**	1.62

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period		**8,613**	7,014
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**3,939**	115
Revaluation surplus on investment properties as a result of change in accounting policies	*2(b)*	**–**	6,043
Total comprehensive income for the period, all attributable to equity holders of the Company		**12,552**	13,172

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Notes	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**54,970**	58,002
Right-of-use assets	*2(a)*	**20,485**	–
Investment in unlisted equities		**18,955**	–
Investment properties	*2(b)*	**9,910**	9,434
Land use rights		**2,490**	2,582
Intangible assets		**419**	425
Other receivables		**3,467**	7,817
Deferred tax assets		**1,999**	1,956
		112,695	80,216
Current assets			
Inventories		**38,950**	41,315
Contract assets		**209,152**	194,312
Trade and other receivables	*8*	**422,039**	309,695
Cash and cash equivalents		**91,006**	116,391
		761,147	661,713
Total assets		**873,842**	741,929
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**58,190**	58,190
Share premium		**363,001**	363,001
Other reserves		**(38,035)**	(46,904)
Retained earnings		**125,977**	121,564
Total equity		**509,133**	495,851

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Liability component of convertible bonds		**81,718**	–
Lease liabilities	*2(a)*	**21,875**	–
		103,593	–
Current liabilities			
Trade and other payables	*9*	**110,060**	125,001
Lease liabilities	*2(a)*	**2,961**	–
Contract liabilities		**3,191**	2,811
Bank borrowings		**108,000**	103,000
Current income tax liabilities		**36,904**	15,266
		261,116	246,078
Total liabilities		**364,709**	246,078
Total equity and liabilities		**873,842**	741,929

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. General information

The Company was incorporated in the Cayman Islands on 2 February 2015 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Room 1405, 14/F., Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the business of sale and distribution of building and home improvement materials and furnishings and provision of interior design and engineering services in the People's Republic of China (the "**PRC**"). The controlling shareholder of the Group is Xinling Limited, a company incorporated in the British Virgin Islands ("**BVI**") which is wholly-owned by Ms. Hou Wei.

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

2. Significant accounting policies and basis of preparation

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

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

(a) Application of New and Revised HKFRSs Disclosure

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018 of the Group, except for the adoption of new standards as the following, which are effective as of 1 January 2019. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

Adoption of new or revised standards and interpretations effective on 1 January 2019

HKFRS 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRS 3 – Business Combination	As part of the Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKFRS 11 – Joint Arrangements	As part of the Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 12 – Income Tax	As part of the Annual Improvements to HKFRSs 2015-2017 Cycle
Amendments to HKAS 23 – Borrowing Costs	As part of the Annual Improvements to HKFRSs 2015-2017 Cycle

Except for HKFRS 16, none of the new or revised standards and interpretations have had a material effect on the Group's accounting policies. The impact of the adoption of HKFRS 16 is summarised below.

HKFRS 16 Leases

Adoption of HKFRS 16

(i) Impact of adoption

HKFRS 16 affects the accounting for the Group's operating leases. The adoption of HKFRS 16 resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The new accounting policies and the adjustments to the financial statements are set out below.

Prior to the adoption of HKFRS 16, leases where substantially all the rewards and risks of ownership of assets remained with the lessor were accounted for as operating leases. Operating lease rentals were recognised under operating expenses in the condensed consolidated income statement on a straight-line basis over the lease term. Commitments under operating leases for future periods were not recognised as liabilities.

Upon adoption of HKFRS 16, the majority of operating leases (except for short-term leases with lease terms of less than 12 months) are recognised in the condensed consolidated statement of financial position as lease liabilities and right-of-use assets.

The Group has applied HKFRS 16 from 1 January 2019. As permitted by the transitional provision of HKFRS 16, comparatives for 2018 were not restated. The Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At initial application, right-of-use assets were measured at their carrying amounts as if HKFRS 16 had always been applied since the commencement date of the leases, discounted at the lessee's incremental borrowing rate at the date of initial application.

The adjustments of the opening balances (affected items only) below results from the initial application of the HKFRS 16 as at 1 January 2019. The prior-year amounts were not adjusted.

Condensed consolidated statement of financial position (extract)	**As at 1 January 2019** ***RMB'000*** **(Unaudited)**
Assets	
Increase in right-of-use assets	30,541
Increase in accumulated depreciation – right-of-use assets	(8,388)
Increase in total assets	22,153
Liabilities	
Increase in lease liabilities – Current portion	3,048
Increase in lease liabilities – Non-current portion	23,305
Increase in total liabilities	26,353
Equity	
Decrease in retained earnings	(4,200)
Decrease in total equity	(4,200)

The following table shows the reconciliation from operating lease commitments disclosed under HKAS 17 "Leases" as at 31 December 2018 to lease liabilities upon adoption of HKFRS 16 as at 1 January 2019.

	RMB'000
	(Unaudited)
Operating lease commitments disclosed under HKAS 17 as at 31 December 2018	32,482
Discount arising from conversion into present value by discounting cash flows using the Group's incremental borrowing rate at 1 January 2019 (weighted average of approximately 6.96%)	(5,879)
Less: Short-term leases recognised on a straight-line basis as expenses	(250)
Lease liabilities recognised as at 1 January 2019	26,353
Current lease liabilities	3,048
Non-current lease liabilities	23,305

The following table shows the amounts recognised in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of comprehensive income following the adoption of HKFRS 16.

	Right-of-use assets	**Lease liabilities**
	RMB'000	*RMB'000*
	(Unaudited)	**(Unaudited)**
As at 1 January 2019	**22,153**	**26,353**
Depreciation charges	**(1,668)**	**–**
Interest expense	**–**	**855**
Payments	**–**	**(2,372)**
As at 30 June 2019	**20,485**	**24,836**

(ii) Accounting policies applied from 1 January 2019

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Payments associated with short-term leases (ie, leases with a lease term of 12 months or less) and low value leases are recognised on a straight-line basis as an expense in the condensed consolidated income statement.

(b) Changes of accounting policy with respect to the measurement of investment properties

During the year, the Group changed its accounting policy with respect to the measurement of investment properties. The Group now applies the fair value model, under which investment properties were stated at fair value and recognises the fair value changes to the consolidated statement of comprehensive income in which they arise. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent depreciation and any accumulated impairment losses.

The Group believes the new policy is preferable as it is more suitable to reflect the value of the investment properties and will aid comparability. The changes have been applied retrospectively and the comparative amounts have been restated accordingly.

	As at 30 June 2019 RMB'000 (Unaudited)	Effect of changes of measurement of investment properties RMB'000 (Unaudited)	As at 30 June 2019 (as presented) RMB'000 (Unaudited)
Administrative expenses	**(12,536)**	**47**	**(12,489)**
Other income and gains – net	**(109)**	**476**	**367**
Income tax expense	**(3,969)**	**(119)**	**(4,088)**
Profit attributable to:			
Equity holders of the Company	**8,209**	**404**	**8,613**
Earnings per share attributable to equity holders of the Company for the period (RMB cents per share)			
Basic and diluted EPS	**1.19**	**0.06**	**1.25**

	As at 30 June 2018 *RMB'000* (Unaudited)	Effect of changes of measurement of investment properties *RMB'000* (Unaudited)	As at 30 June 2018 (as presented) *RMB'000* (Unaudited)
Administrative expenses	(6,749)	–	(6,749)
Other income and gains – net	–	–	–
Income tax expense	(3,365)	–	(3,365)
Profit attributable to:			
Equity holders of the Company	7,014	–	7,014
Earnings per share attributable to equity holders of the Company for the period (RMB cents per share)			
Basic and diluted EPS	1.62	–	1.62

The effect of change of measurements of, investment properties on the consolidated statement of financial position of the Group (extracts) as at 30 June 2019 by line items are as follows:

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	**Effect of changes of measurement of investment properties** ***RMB'000*** **(Unaudited)**	**As at 30 June 2019 (as presented)** ***RMB'000*** **(Unaudited)**
Non-current assets			
Investment properties	**1,314**	**8,596**	**9,910**
Deferred tax assets	**4,148**	**(2,149)**	**1,999**
Equity			
Other reserves	**(44,078)**	**6,043**	**(38,035)**
Retained earnings	**125,573**	**404**	**125,977**
Total equity	**502,686**	**6,447**	**509,133**

	As at 31 December 2018 *RMB'000* (Unaudited)	Effect of changes of measurement of investment properties *RMB'000* (Unaudited)	As at 31 December 2018 (as presented) *RMB'000* (Unaudited)
Non-current assets			
Investment properties	1,377	8,057	9,434
Deferred income tax assets	3,970	(2,014)	1,956
Equity			
Other reserves	(52,947)	6,043	(46,904)
Total equity	489,808	6,043	495,851

3. Segment information

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

(i) Sale and distribution of merchandise

(ii) Provision of interior design and engineering services

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment Revenue		
– Sale and distribution of merchandise		
Total segment revenue	**99,350**	168,518
Inter-segment revenue	**(15,426)**	(57,362)
Revenue from external customers	**83,924**	111,156
– Provision of interior design and engineering services		
Total segment revenue	**165,061**	151,816
Inter-segment revenue	**–**	–
Revenue from external customers	**165,061**	151,816
	249,985	262,972

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment Cost		
– Sale and distribution of merchandise	**71,251**	99,842
– Provision of interior design and engineering services	**143,137**	134,515
	214,388	234,357

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment gross profit		
– Sale and distribution of merchandise	**12,673**	11,314
– Provision of interior design and engineering services	**21,924**	17,301
	34,597	28,615

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment gross profit	**34,597**	28,615
Other income and other gains – net	**367**	–
Reversal of net impairment losses on financial and contract assets	**360**	–
Selling expenses	**(5,785)**	(8,722)
Administrative expenses	**(12,489)**	(6,749)
Finance costs – net	**(4,349)**	(2,765)
Income tax expense	**(4,088)**	(3,365)
Profit for the period	**8,613**	7,014

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

Non-current assets, other than deferred tax assets, are mainly located in the PRC as at 30 June 2019 (31 December 2018: Same).

During the Reporting Period, there were two (2018: two) external customers contributed over 10% of the total revenue of the Group. The revenues derived from these customers during the Reporting Period were as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of interior design and engineering services		
– Customer A	**89,800**	71,352
– Customer B	**42,008**	37,383
Sale and distribution of merchandise		
– Customer B	**23,809**	13,418

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Segment Revenue		
Sale and distribution of merchandise		
– Building materials	69,814	96,192
– Home improvement materials	9,352	8,003
– Furnishings	4,758	6,961
	83,924	111,156
Provision of interior design and engineering services	**165,061**	151,816
	248,985	262,972

4. Operating profit

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating items	**16,690**	12,473
Reversal of write-down of inventories	**64**	60
Reversal of impairment of trade receivables	**296**	611
Operating profit	**17,050**	13,144

5. Income tax expense

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**2,117**	3,871
Deferred income tax	**1,971**	(506)
	4,088	3,365

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**12,701**	10,379
Tax calculated at the tax rate of 25%	**3,175**	2,595
Tax losses for which no deferred tax asset was recognised	**112**	89
Tax exemptions	**179**	528
Expenses not deductible for tax purposes	**622**	153
	4,088	3,365

Cayman Islands income tax

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 accordingly, is exempted from the Cayman Islands income tax.

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the six months ended 30 June 2019 (FY2018: 16.5%) on the estimated assessable profit for the period. No Hong Kong profits tax has been provided for as there was no business operation that is subject to Hong Kong profits tax during the Reporting Period.

PRC enterprise income tax ("EIT")

The entities established in the PRC are subject to EIT. According to the EIT law effective from 1 January 2008, all PRC enterprises are subject to a standard EIT rate of 25%.

PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant WHT rate will be reduced from 10% to 5%. During the period, the Directors reassessed the dividend policy of the major subsidiary of the Company established in the PRC, Guangdong Jiyi Household Building Materials Chain Co., Ltd（廣東集一家居建材連鎖有限公司）("**Jiyi Household**"), based on the Group's current business plan and financial position, no retained earnings as of 30 June 2019 generated by Jiyi Household would be distributed to its non-PRC registered intermediate holding company and as such, no deferred tax liability has been provided by the Group for the earnings expected to be retained by Jiyi Household in the PRC and not to be remitted out of the PRC in the foreseeable future.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(RMB'000)*	**8,613**	7,014
Weighted average number of ordinary shares in issue *(thousands of shares)*	**691,200**	432,000
Basic earnings per share *(RMB cents)*	**1.25**	1.62

For the six months ended 30 June 2019, diluted earnings per share was the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at period end date.

7. Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2019.

8. Trade and other receivables

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
Current portion		
Trade receivables due from third parties	**256,944**	253,897
Trade receivables due from a related party	**468**	376
Trade receivables	**257,412**	254,273
Less: allowance for impairment of trade receivables	**(2,677)**	(2,973)
Trade receivables – net	**254,735**	251,300
Prepayments	**103,742**	42,430
Less: allowance for impairment of prepayments	**(571)**	(571)
Prepayments – net	**103,171**	41,859
Deposits	**32,505**	7,279
Deductible input VAT	**2,660**	5,262
Proceeds receivable from disposal of leasehold improvements	**1,950**	1,950
Other receivables	**27,018**	2,045
	422,039	309,695
Non-current portion		
Deposits	**–**	4,350
Proceeds receivable from disposal of leasehold improvements	**3,467**	3,467
	3,467	7,817
	425,506	317,512

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

(a) Trade receivables

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
Up to 6 months	**122,496**	113,641
6 to 12 months	**64,840**	53,490
Over 1 to 2 years	**52,514**	85,928
Over 2 to 3 years	**17,562**	927
Over 3 years	**–**	287
	257,412	254,273

(b) Provision for impairment of prepayments

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
At beginning of the year	**571**	843
Reversal of provision for impairment	**–**	(272)
At end of the period/year	**571**	571

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
RMB	**306,601**	270,243
HKD	**23,259**	148
	329,860	270,391

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

9. Trade and other payables

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
Trade payables (a)	**70,670**	75,441
Salaries and staff welfare payables	**1,027**	1,165
Other tax payables	**19,592**	23,310
Accrued operating lease expenses	**–**	6,481
Withholding individual income tax in respect of dividends payment	**16,000**	16,000
Other payables	**2,771**	2,604
	110,060	125,001

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

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

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	
Up to 3 months	**52,651**	51,940
3 to 6 months	**5,737**	5,568
6 to 12 months	**1,413**	11,825
Over 12 months	**10,869**	6,108
	70,670	75,441

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

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

	As at	
	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
RMB	**70,670**	77,679
HKD	**–**	366
	70,670	78,045

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue by business operations

The Group is a well-established and integrated building and home improvement materials and furnishings supplier and interior design and engineering services provider in the PRC. The Group is mainly engaged in the sale and distribution of merchandise and the provision of interior design and engineering services.

The following table sets forth the breakdown of revenue by business operations for the Reporting Period with the comparative figures of FY2018:

	For the six months ended 30 June		
	2019	2018	Changes
	RMB'000	*RMB'000*	*%*
	(Unaudited)	(Unaudited)	
Sale and distribution of merchandise			
– Building materials	**69,814**	96,192	(27.4)
– Home improvement materials	**9,352**	8,003	16.9
– Furnishings	**4,758**	6,961	(31.6)
	83,924	111,156	(24.5)
Provision of interior design and engineering services	**165,061**	151,816	8.7
Total	**248,985**	262,972	(5.3)

Total revenue of the Group decreased by approximately RMB14.0 million or approximately 5.3% from approximately RMB263.0 million for the Prior Period to approximately RMB249.0 million for the Reporting Period. Such decrease was mainly driven by the decrease in the revenue generated from the business of sale and distribution of merchandise and was partially offset by the increase in the revenue generated from the business of provision of interior design and engineering services during the Reporting Period.

Revenue from sale and distribution of merchandise

Revenue of the Group from sale and distribution of merchandise, comprising (i) sale of building materials; (ii) sale of home improvement materials; and (iii) sale of furnishings, decreased by approximately RMB27.2 million or approximately 24.5% from approximately RMB111.2 million for the Prior Period to approximately RMB83.9 million for the Reporting Period. Sale of building materials, home improvement materials and furnishings decreased by approximately RMB26.4 million, RMB1.3 million and RMB2.2 million respectively during the Reporting Period. The sale of steel represented approximately 69.4% (FY2018: 64.1%) and 57.7% (FY2018: 55.5%) of the revenue generated from the sale of building materials and the business of sale and distribution of merchandise respectively during the Reporting Period.

The decline in performance of this business segment was mainly due to the keen market and price competition and the Group's development focus has been primarily transformed into the provision of interior design and engineering services.

Revenue from provision of interior design and engineering services

The revenue from provision of interior design and engineering services increased by approximately RMB13.2 million or approximately 8.7% from approximately RMB151.8 million for the Prior Period to approximately RMB165.1 million for the Reporting Period. In light of the number and size of corporate projects secured by the Group at the moment, the business of provision of interior design and engineering services will replace the business of sale and distribution of merchandise to become the core business of the Group in the year of 2019 and the Group feels confident that the growth of this business segment will continue in the coming few years.

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 FY2018:

	For the six months ended 30 June			
	2019		2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Sale and distribution of merchandise				
– Building materials	**7,774**	**11.1**	7,556	7.9
– Home improvement materials	**2,180**	**23.3**	2,166	27.1
– Furnishings	**1,605**	**33.7**	1,592	22.9
	11,559	**13.8**	11,314	10.2
Provision of interior design and engineering services	**23,038**	**14.0**	17,301	11.4
Total	**34,597**	**13.9**	28,615	10.9

Although the Group's revenue decreased by approximately RMB14.0 million or approximately 5.3% from approximately RMB263.0 million for the Prior Period to approximately RMB249.0 million for the Reporting Period, the Group's overall gross profit increased by approximately RMB6.0 million or approximately 20.9% from approximately RMB28.6 million for the Prior Period to approximately RMB34.6 million for the Reporting Period. As a result, the Group's overall gross profit margin increased from approximately 10.9% for the Prior Period to approximately 13.9% for the Reporting Period, which was mainly due to (i) the increase in gross profit margin of the business of sale and distribution of merchandise and such increase was due to the increase in gross profit margin from the sale of building materials and the sale of furnishings; (ii) the increase in proportion of revenue generated from provision of interior design and engineering services during the Reporting Period where the gross profit margin of provision of interior design and engineering services has increased by approximately 3.0% due to the implementation of better project cost control measures.

The gross profit margin of sale and distribution of merchandise also increased from approximately 10.2% for the Prior Period to approximately 13.8% for the Reporting Period, which was mainly due to the increase in gross profit margin from the sale of building materials of approximately 7.9% to approximately 11.1% and the sale of furnishings from approximately 22.9% to approximately 33.7% during the Reporting Period.

The gross profit margin of provision of interior design and engineering services increased by approximately 2.6% from approximately 11.4% for the Prior Period to approximately 14.0% for the Reporting Period. The existing strategy of the Group is to focus on increasing the project size and volume in order to expand the Group's market share in this business segment. In view of the rapid growth in the business segment of the provision of interior design and engineering services to our customers, the Group believed that it will help to secure more sizeable projects with higher gross profit margin, such as Public-Private Partnership ("**PPP**") project, in the near future.

Selling expenses

The Group's selling expenses dropped by approximately RMB2.9 million or approximately 33.7% from approximately RMB8.7 million for the Prior Period to approximately RMB5.6 million for the Reporting Period. Such decrease was in line with the decrease in revenue from the business of sale and distribution of merchandise, and was also due to decrease in operating lease expenses, employee benefit expenses and shipping costs during the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by approximately RMB5.8 million or approximately 85.0% from approximately RMB6.7 million for the Prior Period to approximately RMB12.5 million for the Reporting Period. The increase was mainly due to the increase in staff costs, the increase in share option expenses and the increase in depreciation expenses as a result of the recognition of right-of-use assets under HKFRS 16.

Finance costs – net

The Group's net finance costs increased by approximately RMB1.6 million or approximately 57.3% from approximately RMB2.8 million in the Prior Period to approximately RMB4.4 million in the Reporting Period, which was mainly due to the increase in the Group's borrowings cost, and the recognition of the finance costs in relation to lease liabilities during the Reporting Period.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately RMB1.6 million or approximately 22.9% from approximately RMB7.0 million for the Prior Period to approximately RMB8.6 million for the Reporting Period.

PROSPECTS

The Group continued to switch its core business focus from the business segment of the sale and distribution of merchandise, to the development of the business segment of the provision of interior design and engineering services, and had achieved notable growth and fruitful results in terms of revenue and net profits in the year of 2018. The Group will continue this strategy in the year of 2019.

For the business segment of the provision of interior design and engineering services, the Group had commenced the construction of several sizeable corporate projects obtained in 2018, including two Engineering Procurement Construction ("**EPC**") projects from the PRC government and various construction projects of residential buildings, supermarkets, office buildings and landscape projects. The Group had continued to develop and work on these projects in the first half of 2019, and at the same time, the Group is also currently exploring opportunities for tender to further develop its business segment of the provision of interior design and engineering services.

The Group aimed to maintain a stable growth for the business segment of the sale and distribution of merchandise. However, in the first half of 2019, it is noticed that the revenue and gross profit margin of the business of sale and distribution of merchandise continued to be weakened by the keen market and price competition arising from the e-commerce industries, as well as the uncertainty and turbulence of the global economy brought by the World's economic events, such as China-United States trade war, which adversely affects the retail and commodities markets. The Group will work on exploring opportunities for cooperation with strategic business partners to seek a breakthrough in the development of this business segment.

To facilitate the Group's rapid growth and development, the Group is also focusing on capital raising and also actively looking into cooperation with various strategic investors. On 25 June 2019, the Company had completed the issuance of convertible bonds in an aggregate principal amount of HK$102,000,000 with an initial conversion price of HK$1.0 per conversion share. The proceeds from the issuance of convertible bonds had provided additional capital for Group's project tendering or potential acquisitions, as well as supporting the Group's current construction and engineering projects. This also demonstrated a solid support from the Group's investors which they have confidence in and commitment towards the Group's future and growth prospects. The issue of convertible bonds will benefit the Group and shareholders as a whole, and will serve as a cornerstone for future development.

The Group will continue to build on from the existing businesses, and will actively look for new investment opportunities to enhance the Group's profitability and the return of the shareholders.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2019, the Group had a total cash and bank balances of approximately RMB91.0 million (31 December 2018: RMB116.4 million) mainly denominated in Renminbi and Hong Kong Dollars. The decrease in total cash and bank balances was mainly due to the net cash used in operating activities of approximately RMB98.8 million, which was partially offset by the increase in bank borrowings of RMB5.0 million and the issuance of convertible bonds of approximately RMB89.7 million during the Reporting Period.

As at 30 June 2019, the Group had net current assets of approximately RMB511.0 million, as compared to approximately RMB415.6 million as at 31 December 2018.

BORROWINGS AND PLEDGE OF ASSETS

As at 30 June 2019, the Group had unutilised banking facilities for short term financing of approximately RMB20.0 million (31 December 2018: RMB20.0 million) and total bank borrowings of approximately RMB108.0 million (31 December 2018: RMB103.0 million).

As at 30 June 2019, the bank borrowings of the Group were secured by land use right, investment properties and property, plant and equipment of the Group at the carrying amounts of approximately RMB2.6 million (31 December 2018: RMB2.6 million), RMB9.9 million (31 December 2018 (restated): RMB9.4 million), and RMB32.4 million (31 December 2018: RMB33.4 million) respectively.

CAPITAL EXPENDITURE

The Group has no material capital expenditure during the Reporting Period and for the year ended 31 December 2018.

FINANCIAL RATIO

	As at	
	30 June 2019 (Unaudited)	31 December 2018
Current ratio[(1)]	**2.1**	2.7
Quick ratio[(2)]	**2.0**	2.5
Gearing ratio (%)[(3)]	**21.2**	21.0
Net debt to equity ratio (%)[(4)]	**19.4**	(2.7)

[(1)] *Current ratio is calculated as the total current assets divided by the total current liabilities.*

[(2)] *Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.*

[(3)] *Gearing ratio is calculated as the total debt divided by total equity and multiplied by 100%.*

[(4)] *Net debt to equity ratio is calculated as total borrowings net of cash and cash equivalents and restricted cash, and divided by total equity and multiplied by 100%.*

FOREIGN EXCHANGE EXPOSURE

The Group mainly transacts and recognises its revenue in Renminbi and also incurs cost in Hong Kong dollars and Renminbi. The Group is exposed to foreign exchange risk with respect mainly to Hong Kong dollars which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Hong Kong dollars and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

RIGHT ISSUE AND THE USE OF PROCEEDS

On 25 April 2018, the Company proposed to raise proceeds by way of the rights issue of 172,800,000 rights shares on the basis of two rights shares for every five existing shares (the "**Rights Issue**") held by each qualifying shareholder on the record date, i.e., 27 June 2018, at the subscription price of HK$0.60 per rights share payable in full on acceptance. The Rights Issue was fully underwritten by Xinling Limited, the Company's controlling shareholder. After the completion of the Rights Issue on 24 July 2018, the number of total issued shares of Company increased from 432,000,000 to 604,800,000. The net proceeds from the Rights Issue, after deducting the related professional fees and expenses, was approximately HK$101.8 million. It was planned that approximately HK$91.6 million, representing approximately 90% of the net proceeds from the Rights Issue, would be applied for financing the capital input for several interior design and engineering projects under construction in the PRC and the remaining portion of approximately HK$10.2 million, representing approximately 10% of the net proceeds from the Rights Issue, would be applied for general working capital for the payment of operational expenses for the Company's Hong Kong principal office, such as payment of salaries and rents and general operational expenses, etc. As at 30 June 2019, all the proceeds raised from the right issue were fully utilised.

Details of the Rights Issue by the Company are set out in the Company's announcements dated 25 April 2018, 26 April 2018, 16 May 2018, 25 May 2018, 14 June 2018, 15 June 2018 and 23 July 2018, circular dated 25 May 2018 and Rights Issue documents dated 28 June 2018.

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

On 27 December 2018, the Company completed a placing of shares of 86,400,000 new ordinary shares of the Company (the "**Placing Share**") at a placing price of HK$0.70 per Placing Share, representing a discount of approximately 9.1% to the closing price of HK$0.77 on the date of the placing agreement, to not less than six placees who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons. The net proceeds from the placing, after deducting the related placing commission, professional fees and all related expenses, were approximately HK$59.7 million.

The intended use and actual use of the net proceeds from the placing as at 30 June 2019 is as follows:

Intended use of the net proceeds	**Actual use of the net proceeds**
(i) Approximately HK$53.7 million for funding of the possible acquisition of no less than 13 movies or television projects to be developed by Shenzhen Tianpeng Cultural Industry Limited*（深圳天鵬文化產業股份有限公司）, as disclosed in the announcement of the Company dated 16 November 2018; and	Approximately HK$45.8 million has been utilised as at 30 June 2019 and the remaining balance of approximately HK$7.9 million is intended to be used by the end of December 2019 for funding the remaining possible acquisition projects.
(ii) Approximately HK$6.0 million for general working capital purposes of the Group	Approximately HK$5.9 million has been utilised as at 30 June 2019 and the remaining balance of HK$0.1 million is intended to be used by the end of July 2019

Details of the placing of shares by the Company are set out in the Company's announcements dated 10 December 2018 and 27 December 2018.

ISSUE OF CONVERTIBLE BONDS AND THE USE OF PROCEEDS

On 25 June 2019, the Company completed an issuance of convertible bonds to eight subscribers in an aggregate principal amount of HK$102,100,000 with an initial conversion price of HK$1.0 per conversion share. The net proceeds from the placing, after deducting the related professional fees and all related expenses, were approximately HK$101.6 million. It was planned that: (i) approximately HK$71.5 million (representing approximately 70% of the net proceeds) will be used by the end of June 2020 for the development of construction in progress (including the beautiful countryside projects in Tangxi Town and Pantian Town of Fengshun County of Meizhou City, Tiehan Ecology city project, and Wei Long Ju project); (ii) approximately HK$20.0 million (representing approximately 20% of the net proceeds) will be used by the end of June 2020 for tender or potential acquisition; and (iii) the remaining portion of approximately HK$10.0 million (representing approximately 10% of the net proceeds) will be used by the end of June 2020 for general working capital of the Group, as disclosed in the circular of the Company dated 14 May 2019. As at 30 June 2019, the Company had not utilised any net proceeds from the issuance of convertible bonds but the Company will follow the aforementioned expected timeline to utilise the net proceeds obtained from the issuance of convertible bonds.

Details of the issue of convertible bonds by the Company are set out in the Company's announcements dated 22 April 2019, 9 May 2019, 14 May 2019, 30 May 2019 and 25 June 2019 and circular dated 14 May 2019.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 30 June 2019 (31 December 2018: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total number of 144 employees (30 June 2018: 137) and the total staff costs, including Directors' remuneration, amounted to approximately RMB4.9 million for the Reporting Period (FY2018: RMB5.4 million). There were no significant changes in the Company's headcounts during the Reporting Period.

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation.

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including Directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2019 and up to the date of this announcement.

DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. During the Reporting Period, the Company has complied with the code provisions under the CG Code, save and except for the deviation to code provision A.2.1 below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairlady and chief executive officer of the Company are held by Ms. Hou Wei who has extensive experience in the industry. The Board believes that Ms. Hou can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current structure of vesting the roles of chairlady and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

COMPLIANCE WITH MODEL CODE

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the Reporting Period. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines or no less exacting terms than the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF INTERIM RESULTS

As at 30 June 2019 and the date of this announcement, the Audit Committee comprised three members, namely, Mr. Ye Yihui (chairman of the Audit Committee), Mr. Ho Hin Yip and Mr. Hou Lianchang and all of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim results of the Group for the six months ended 30 June 2019 and recommended its adoption by the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.jiyihousehold.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company on or before 30 September 2019.

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

Hong Kong, 30 August 2019

As at the date of this announcement, Ms. Hou Wei, Mr. Liu Xianxiu and Mr. Yang Baikang are the executive directors of the Company, Mr. Hou Bo is the non-executive director of the Company, and Mr. Ye Yihui, Mr. Ho Hin Yip and Mr. Hou Lianchang are the independent non-executive directors of the Company.

* *For identification purpose only*