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Wenye Group Holdings Limited

文業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1802)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND RESUMPTION OF TRADING

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wenye Group Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	81,343	378,119
Gross profit margin	8.7%	6.3%
Loss for the year attributable to owners of the Company	(63,469)	(193,360)
Basic and diluted loss per share (<i>RMB</i>)	(0.11)	(0.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	5	81,343	378,119
Cost of sales		<u>(74,229)</u>	<u>(354,459)</u>
Gross profit		7,114	23,660
Other income		1,966	3,246
Other losses, net		(4,508)	(1,173)
Selling and marketing expenses		(73)	(3,060)
General and administrative expenses		(27,198)	(35,290)
Impairment losses of financial assets and contract assets		(27,335)	(166,137)
Impairment losses of non-current assets		(2,222)	(9,034)
Finance costs, net		<u>(11,268)</u>	<u>(5,629)</u>
LOSS BEFORE TAX		(63,524)	(193,417)
Income tax expense	6	<u>—</u>	<u>(172)</u>
LOSS FOR THE YEAR	7	<u>(63,524)</u>	<u>(193,589)</u>
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>4</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>4</u>	<u>(4)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(63,520)</u>	<u>(193,593)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CON'T)**

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year attributable to:			
Owners of the Company		(63,469)	(193,360)
Non-controlling interests		(55)	(229)
		<u>(63,524)</u>	<u>(193,589)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		(63,465)	(193,364)
Non-controlling interests		(55)	(229)
		<u>(63,520)</u>	<u>(193,593)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (<i>RMB</i>)	9	<u>(0.11)</u>	<u>(0.33)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,615	7,804
Right-of-use assets		—	—
Investment properties		—	2,051
Intangible assets		—	—
Trade and other receivables	<i>10</i>	399	5,084
		8,014	14,939
CURRENT ASSETS			
Trade and other receivables	<i>10</i>	122,694	160,327
Contract assets	<i>11</i>	86,580	94,394
Restricted cash		22,287	30,976
Bank and cash balances	<i>12</i>	177	344
		231,738	286,041
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	818,401	837,046
Contract liabilities	<i>11</i>	63,601	52,209
Bank borrowings		28,774	36,222
Other borrowings		71,832	88,072
Lease liabilities		1,915	1,683
Amounts due to related parties		19,169	268
Current income tax liabilities		38,765	38,765
		1,042,457	1,054,265
NET CURRENT LIABILITIES		(810,719)	(768,224)
TOTAL ASSETS LESS CURRENT LIABILITIES		(802,705)	(753,285)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CON'T)

As at 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Other borrowings	26,817	10,299
Lease liabilities	5,477	7,895
	<u>32,294</u>	<u>18,194</u>
NET LIABILITIES	<u>(834,999)</u>	<u>(771,479)</u>
CAPITAL AND RESERVES		
Share capital	51	51
Reserves	(836,766)	(773,301)
Equity attributable to owners of the Company	(836,715)	(773,250)
Non-controlling interests	1,716	1,771
TOTAL EQUITY	<u>(834,999)</u>	<u>(771,479)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Wenye Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 November 2018 as an exempted company with limited liability under Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in provision of interior and exterior building decoration and design services (the “**Business**”) in the People’s Republic of China (the “**PRC**”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 January 2020 (the “**Listing**”).

The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

2. GOING CONCERN BASIS

The Group incurred a loss for the year of approximately RMB63,524,000 for the year ended 31 December 2023 and as of 31 December 2023 the Group had net current liabilities and net liabilities of approximately RMB810,719,000 and RMB834,999,000 respectively. The Group’s total bank and other borrowings amounted to approximately RMB28,774,000 and RMB98,649,000 respectively as of 31 December 2023 while its cash and cash equivalents amounted to approximately RMB177,000.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group’s ability to continue as a going concern.

2. GOING CONCERN BASIS (CON'T)

The Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (i) the Group has been actively seeking and communicating with new customers on the projects of interior and exterior building decoration and design; (ii) the Group has been actively negotiating with the Bank Borrower and Other Borrowers on the extension of Overdue Bank Borrowing and Overdue Other Borrowings; (iii) the Group has been actively seeking Potential New Fundings through various channels, including but not limited to new financing in terms of issuance of new shares of the Company and from potential investors and (iv) the Group has been actively communicating with Creditors to resolve outstanding amount due to the creditors as well as the due payments on pending lawsuits through carrying out Debt Restructuring.

The directors of the Company, taking into account the above plans and measures, are in the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value 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 as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3.1. Material Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investment properties which are carried at their fair values/fair values less costs to sell.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operation decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in provision of interior and exterior building decoration and design services in the PRC. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure reported to the CODM for the purpose of resources allocation and performance assessment.

All of the Group’s revenue was mainly derived in the PRC during the years ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

The revenue from external parties is derived from numerous external customers and the revenue reported to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Revenue from major customers:

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Customer A	10,470	N/A*
Customer B	<u>N/A*</u>	<u>53,488</u>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the particular year.

5. REVENUE

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Revenue from construction services	78,724	363,506
Design service income	<u>2,619</u>	<u>14,613</u>
	<u>81,343</u>	<u>378,119</u>

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	RMB'000
Current income tax	—	172
Deferred income tax	—	—
	<hr/>	<hr/>
Income tax expense	<u>—</u>	<u>172</u>

Current taxation primarily represented the provision for PRC Corporate Income Tax (“CIT”) for companies operating in the PRC. These companies are subject to CIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. Pursuant to the PRC Corporate Income Tax Law, the CIT rate for domestic enterprises and foreign invested enterprises is 25% (2022: 25%).

Shenzhen Wenye Decoration Design Engineering Co., Ltd., a wholly owned subsidiary of the Company, has qualified as high and new technology enterprise (“HNTE”) for which preferential tax rate of 15% is granted on 25 December 2023.

No provision for Hong Kong Profits Tax is required since the Group’s income is derived from overseas source which is not liable to Hong Kong Profits Tax.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	1,680	1,331
Cost of sales	74,229	354,459
Depreciation of property, plant and equipment	189	2,341
Depreciation of investment properties	19	77
Depreciation of right-of-use assets	—	3,722
Impairment losses of financial assets and contract assets:		
Impairment of trade receivables, net	5,197	63,006
Impairment of contract assets	25,108	65,092
(Reversal of)/impairment of retention receivables	(3,199)	37,152
Impairment of deposits	229	887
	27,335	166,137
Impairment losses of non-current assets		
Impairment of property, plant and equipment	2,222	98
Impairment of right-of-use assets	—	8,936
	2,222	9,034
Staff costs including directors' remuneration:		
Salaries, wages and bonuses	7,431	17,059
Housing funds, medical insurances and other social insurances	778	3,345
Other welfare and allowances	301	313
	8,510	20,717

8. DIVIDENDS

The directors do not recommend the payment of any dividend for each of the years ended 31 December 2023 and 2022.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB63,469,000 (2022: RMB193,360,000) and the weighted average number of ordinary shares of 593,940,017 (2022: 593,940,017), and excluded shares held under the restricted share unit scheme (“**RSU scheme**”) in issue during the year ended 31 December 2023 (2022: same).

(b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables (<i>Note (i)</i>)	689,269	692,882
Provision for loss allowance	<u>(619,220)</u>	<u>(614,023)</u>
Trade receivables, net	<u>70,049</u>	<u>78,859</u>
Retention receivables (<i>Note (ii)</i>)	217,978	224,954
Provision for loss allowance	<u>(212,877)</u>	<u>(216,076)</u>
Retention receivables, net	<u>5,101</u>	<u>8,878</u>
Deposits (<i>Note (iii)</i>)	10,046	25,113
Provision for loss allowance	<u>(9,221)</u>	<u>(8,992)</u>
Deposits, net	<u>825</u>	<u>16,121</u>
Prepayments	21,511	43,736
Advances to staff	1,373	1,150
Other receivables	<u>24,234</u>	<u>16,667</u>
Total trade and other receivables	<u>123,093</u>	<u>165,411</u>
Analysed as:		
Current assets	122,694	160,327
Non-current assets	<u>399</u>	<u>5,084</u>
	<u>123,093</u>	<u>165,411</u>

The maximum exposure to credit risk at the announcement date is the carrying amounts of each class of receivable mentioned above. The Group does not hold collateral as security.

10. TRADE AND OTHER RECEIVABLES (CON'T)

Notes:

- (i) The credit terms of trade receivables are generally stated as up to 60 days from the invoice date. The aging analysis of the trade receivables based on the invoice date is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unbilled revenue (<i>Note (a)</i>)	489,352	476,946
Within 30 days	—	779
31 days to 6 months	10,480	30,833
6 months to 1 year	11,078	36,903
1 to 2 years	59,690	31,886
2 to 3 years	31,543	49,402
Over 3 years	87,126	66,133
	<u>689,269</u>	<u>692,882</u>

Note:

- (a) The balances above included unbilled revenue for projects completed by the Group but yet to bill, which has excluded the portion of retention receivables. The Group has unconditional right to the payment of these unbilled revenue and hence classified as trade receivables.

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

As at 31 December 2023 and 2022, trade receivables were pledged as collateral for the Group's certain bank borrowings.

- (ii) Retention receivables represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally lasts for 1 to 2 years. As at 31 December 2023 and 2022, the aging analysis of the retention receivables based on the retention period expiry date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	3,158	23,257
1 to 2 years	19,552	201,697
Over 2 years	195,268	—
	<u>217,978</u>	<u>224,954</u>

The carrying amounts of retention receivables approximate their fair values and are denominated in RMB.

- (iii) Deposits mainly represented tender deposits and performance bonds due from customers.

The carrying amounts of deposits approximate their fair values and are denominated in RMB.

- (iv) As at 31 December 2023, included in other receivables, there is an amount due from Mr. Li Hongxing, a non-executive director of the company, of approximately RMB679,000 (2022: RMB679,000), which is interest-free, unsecured and repayment on demand.

11. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 1 January 2022 <i>RMB'000</i>
Contract assets — construction services	782,614	765,233	829,182
Contract assets — design services	4,197	4,284	1,024
	<u>786,811</u>	<u>769,517</u>	<u>830,206</u>
Less: Provision for loss allowance	(700,231)	(675,123)	(610,031)
	<u>86,580</u>	<u>94,394</u>	<u>220,175</u>
Total contract assets	<u>86,580</u>	<u>94,394</u>	<u>220,175</u>
Contract liabilities — construction services	55,099	43,791	44,116
Contract liabilities — design services	8,502	8,418	12,956
	<u>63,601</u>	<u>52,209</u>	<u>57,072</u>
Total contract liabilities	<u>63,601</u>	<u>52,209</u>	<u>57,072</u>
Contract receivables (include in trade receivables)	<u>70,049</u>	<u>78,859</u>	<u>188,913</u>

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognized as revenue in:

— 2023	—	469,293
— 2024	387,950	304,321
— 2025	304,321	—
	<u>692,271</u>	<u>773,614</u>

Year ended 31 December	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>

Revenue recognized in the year that was included in contract liabilities at beginning of year:

— Construction services	25,443	23,982
— Design services	644	9,445
	<u>26,087</u>	<u>33,427</u>

11. CONTRACT ASSETS AND LIABILITIES (CON'T)

Significant changes in contract assets (before impairment) and contract liabilities during the year:

	2023 Contract assets RMB'000	2023 Contract liabilities RMB'000	2022 Contract assets RMB'000	2022 Contract liabilities RMB'000
Increase due to operations in the year	29,133	63,601	15,483	357,773
Transfer of contract assets to receivables	(11,841)	—	(76,172)	—
Transfer of contract liabilities to revenue	—	(52,209)	—	(362,636)

A contract asset is the Group's right to consideration in the exchange for services that the Group has transferred to the customer. The contract assets transferred to trade and retention receivables when receipt of the consideration is conditional only on the passage of time.

The contract liabilities above are due to the non-refundable advance payment made by customers. Such liabilities fluctuated as a result of the terms of different projects. A contract liability is the Group's obligation to render services to a customer for which the Group has received consideration from the customer. A contract liability is recognised by the Group when the customer pays consideration but before the Group renders the service to the customer.

12. BANK AND CASH BALANCES

	2023 RMB'000	2022 RMB'000
Cash at bank	<u>177</u>	<u>344</u>
Denominated in:		
RMB	177	244
HK\$	<u>—</u>	<u>100</u>
	<u>177</u>	<u>344</u>

Certain of the Group's bank balances and deposits denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of fund out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

13. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	670,777	711,132
Bills payables	15,372	15,445
	<u>686,149</u>	<u>726,577</u>
Accruals and other payables		
Accrued staff benefits	16,229	14,789
Other payables and accruals	63,525	49,078
Provision for litigation penalty	52,498	46,602
	<u>132,252</u>	<u>110,469</u>
	<u><u>818,401</u></u>	<u><u>837,046</u></u>

The aging analysis of trade and bills payables, based on the invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	911	36,293
31 days to 6 months	10,065	40,842
6 months to 1 year	5,004	83,876
1 to 2 years	135,841	250,543
2 to 3 years	237,837	279,883
Over 3 years	296,491	35,140
	<u>686,149</u>	<u>726,577</u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2023 which has included a disclaimer of opinion on material uncertainty related to going concern.

“We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our 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. In all other respects, in our opinion, 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

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements which mentions that, the Group incurred a loss of approximately RMB63,524,000 for the year ended 31 December 2023 and as of 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB810,719,000 and RMB834,999,000 respectively. The Group’s total bank and other borrowings amounted to approximately RMB28,774,000 and RMB98,649,000 respectively as of 31 December 2023 while its cash and cash equivalents amounted to approximately RMB177,000. These conditions indicate the existence of multiple uncertainties that may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the Directors as described in Note 2 to the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

Up to the date of this report, the Group had signed contracts with several independent third party new customers on the projects of interior and exterior building decoration and design (the “**Projects**”). We were unable to obtain sufficient appropriate audit evidence as to the source of funding in materializing the Projects, as well as whether the estimated completion dates of the project can be satisfactorily adhered to.

Furthermore, up to the date of this report, the Group had notified and requested a settlement arrangement with the bank (the “**Bank Borrower**”) with respect to its overdue bank borrowing with principal amount of approximately RMB28,774,000 (the “**Overdue Bank Borrowing**”). The Group is also in the process of negotiating with other borrowers (the “**Other Borrowers**”) as to the settlement arrangement of overdue other borrowings with principal amount of approximately RMB71,832,000 (the “**Overdue Other Borrowings**”) (Collectively, the “**Settlement Arrangements**”). As of the date of this report, we have not been provided with the Settlement Arrangements with Bank Borrower and Other Borrowers in respect to the Overdue Bank Borrowing and Overdue Other Borrowing.

In addition, the Group had also been in discussions with several potential investors to obtain new funding to support the Group’s operation (the “**Potential New Fundings**”). We have not been provided with the investments/capital injection agreement and were unable to obtain sufficient appropriate audit evidence as to verify such Potential New Fundings.

As to the outstanding amounts due to the creditors as well as the due payments on pending lawsuits (the “**Creditors**”), the Group is currently discussing with Creditors to carry out debt restructuring exercise (the “**Debt Restructuring**”) for the purpose of reducing the level of debts of the Group. As of the date of this report, we have not been provided with the debt restructuring agreements and were unable to obtain sufficient appropriate audit evidence as to confirm the timing and extent of the Debt Restructuring.

In the absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.”

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a building decoration services provider based in Shenzhen City, Guangdong Province, the PRC. With approximately 30 years of operating history, the Group possesses a range of the highest level of qualifications and licences in the building decoration industry in the PRC. The Group's projects cover a wide range of buildings and properties, including public infrastructure, commercial buildings and residential buildings.

BUSINESS REVIEW

Throughout 2023, the Group has undertaken a total of 7 contracts for new construction projects with a total contract value of RMB1.6 million. During the year, the Group had a total of 85 projects in progress, with a total contract value of RMB524.4 million, of which 4 were design projects and 81 were engineering projects. Compared with last year, the total number of new projects significantly declined as the Group was negatively affected by various unfavorable factors such as a downturn in the macroeconomic economy, the unsatisfactory performance of the PRC real estate market and a shortage of funding during the year ended 31 December 2023.

With its outstanding construction process and excellent design capability, the Group was honored with awards in 2023 and was fully recognized by customers and the industry. For example, our efforts in the Hilton Garden Inn Shenzhen Nanshan Science and Technology Park (Guest Room) Decoration Project (深圳南山科技園希爾頓花園酒店(客房)裝飾工程) was awarded the 2023 Guangdong Outstanding Architectural Public Building Decoration Project Award (2023年廣東省優秀建築公共建築裝飾工程獎) by the Building Decoration Branch of Guangdong Construction Industry Association (廣東省建築業協會建築裝飾分會).

The Group's revenue decreased from approximately RMB378.1 million for the year ended 31 December 2022 to approximately RMB81.3 million for the year ended 31 December 2023.

In 2023, the PRC real estate market has remained sluggish. As the PRC building decoration industry is closely related to the PRC real estate industry, the Group's business continues to be negatively affected. The Group has and will continue to strive for survival and development despite facing such an extremely challenging situation industry-wide. The Group's revenue for the year ended 31 December 2023 has inevitably declined significantly due to the impact of the slack PRC real estate market.

FUTURE PROSPECTS

Nowadays, while the property and related industry chain in China has not yet improved, we also noted that China has enhanced its efforts in the renewal and iteration of infrastructure and equipment. After four years of industry reshuffling, there are only a few enterprises that can maintain their positions in the top tier of the PRC building decoration industry. The Group, as a leading enterprise in the building decoration industry in China, is struggling to survive and pursue development. Despite our current predicament, we aim to open up new markets apart from our existing business growth locations:

1. The Company plans to devote more efforts to focus on the areas in which the Group already has an outstanding track record, such as high-speed rail, airports, hospitals, hotels and other engineering works.
2. The Company will develop overseas business by taking advantage of the opportunities of the “Belt and Road Initiative”.
3. The Company will enhance its ability and competitiveness, as well as strengthen the collection of receivables from its existing projects and capital management.
4. The Company will reshape its business model and its business partnership system.
5. The Company will identify new points of profit growth, launch an industrial internet-based SaaS service platform to achieve organization, platformization and solve industry closed-loop sore points through transformation. We hope to achieve exponential performance growth through our online labour services platforms, our smart construction site system based on BIM technology, our centralized procurement system, as well as our combination of industrial and financial innovations.
6. The Company will integrate its resources by investing in new projects through issuing shares. Through top-level design and strategic deployment, we hope to bring new vitality and qualitative leaps to our business.

FINANCIAL REVIEW

Revenue

We principally derive our revenue from the provision of building decoration works and design services in the PRC. Revenue generated by service type is set out below:

	Year ended 31 December			
	2023		2022	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Revenue from construction services	78.7	96.8	363.5	96.1
Design service income	2.6	3.2	14.6	3.9
Total	<u>81.3</u>	<u>100.0</u>	<u>378.1</u>	<u>100.0</u>

The Group's revenue decreased to approximately RMB81.3 million for the year ended 31 December 2023 from approximately RMB378.1 million for the year ended 31 December 2022, representing a decrease of approximately RMB296.8 million. Such decrease was mainly due to a significant decrease in the contract value in 2023 as a result of the impact of the slowdown of the PRC domestic economy, the surging default events in the PRC real estate sector, the Company's default on its debt obligations and the capital chain rupture experienced by the Group's customers.

Cost of sales

The cost of sales of the Group decreased to approximately RMB74.2 million for the year ended 31 December 2023 from approximately RMB354.5 million for the year ended 31 December 2022, representing a decrease of RMB280.3 million, which is in line with the decrease in the Group's revenue.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB7.1 million for the year ended 31 December 2023 from approximately RMB23.6 million for the year ended 31 December 2022, representing a decrease of approximately 69.9%. Our gross profit margin remains stable and increased from 6.3% for the year ended 31 December 2022 to 8.7% for the year ended 31 December 2023.

Other income

The Group recorded other income of approximately RMB2.0 million for the year ended 31 December 2023, which mainly comprised a gain on disposal of investment properties of approximately RMB2.0 million.

Other losses, net

Other losses, net of the Group for the year ended 31 December 2023, is approximately RMB4.5 million, mainly comprised of interests provision on the penalty of lawsuits of approximately RMB4.5 million.

Selling and marketing expenses

Selling and marketing expenses of the Group primarily consist of marketing and advertising expenses, employee benefit expenses and travelling expenses.

Selling and marketing expenses decreased to approximately RMB73,000 for the year ended 31 December 2023 from approximately RMB3.1 million for the year ended 31 December 2022, representing a decrease of 97.6%. The decrease is in line with the decrease in revenue and was mainly due to the decrease in selling and marketing activities.

General and administrative expenses

General and administrative expenses of the Group primarily consist of employee benefit expenses, legal and professional fees and depreciation of property, plant and equipment, investment properties and right-of-use assets.

General and administrative expenses decreased to approximately RMB27.2 million for the year ended 31 December 2023 from approximately RMB35.3 million for the year ended 31 December 2022, representing a decrease of approximately 22.9%. The decrease was mainly attributed to (i) the decrease in headcount; (ii) the lack of research and development expense incurred during the year; and (iii) the lack of depreciation of lease assets incurred during the year.

Impairment losses on financial and contract assets

Impairment losses on financial and contract assets decreased by approximately 83.6% from approximately RMB166.1 million for the year ended 31 December 2022 to approximately RMB27.3 million for the year ended 31 December 2023.

Loss for the year

Loss for the year of the Group decreased by 67.2% from approximately RMB193.6 million for the year ended 31 December 2022 to approximately RMB63.5 million for the year ended 31 December 2023.

Financial position, liquidity and financial resources

Trade and other receivables

Trade and other receivables decreased from approximately RMB165.4 million as of 31 December 2022 to approximately RMB123.1 million as of 31 December 2023, representing a decrease of 25.6%. Trade and other receivables mainly represent the amount due from customers and the prepayments to the suppliers and subcontractors.

Trade and other payables

Trade and other payables decreased by 2.2% from approximately RMB837.0 million as of 31 December 2022 to approximately RMB818.4 million as of 31 December 2023. Trade and other payables mainly represent the amounts due to suppliers and the provision for litigation penalty.

Bank Borrowings

As of 31 December 2023, the Group had bank borrowings of approximately RMB28.8 million (2022: approximately RMB36.2 million). Based on the scheduled repayment terms set out in the loan agreements, all bank borrowings are repayable within 1 year. Bank borrowings were secured and guaranteed by the Group's certain trade receivables, certain properties owned by certain shareholders and related parties of the Group and limited personal guarantee executed by certain shareholders (2022: the Group's land and building, investment properties, trade receivables, certain properties owned by certain shareholders and related parties of the Group and limited personal guarantee executed by certain shareholders).

Working capital management

The Group has committed to maintaining a sound financial policy. The Group intends to increase its operational efficiency in order to improve the liquidity of our working capital, primarily through capital contribution from operating activities and interest-bearing bank borrowings.

Liquidity ratios

As of 31 December 2023, the Group has cash and cash equivalents of approximately RMB0.2 million (2022: approximately RMB0.3 million). The Group's current ratio and gearing ratio are as follows:

	31 December 2023	31 December 2022
Current ratio	22.2%	27.1%
Gearing ratio	(16.1%)	(18.6%)

Current ratio is calculated by dividing the current assets by the current liabilities as at the respective dates.

Gearing ratio is calculated by dividing the net debt (being total bank and other borrowings and lease liabilities net of cash and cash equivalents) as at the respective dates by equity attributable to our Shareholders as at the respective dates.

Significant investments/material acquisitions and disposals

The Group had no other significant investment, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the year ended 31 December 2023.

Capital commitments

As at 31 December 2023, the Group had no capital commitment.

Contingent liabilities

As at 31 December 2023, the Group and the Company did not have any significant contingent liabilities.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

Foreign currency exposure

The Group mainly operates in the PRC, with most transactions settled in RMB.

As at 31 December 2023, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group, and therefore, the Group did not have any hedging activities during the year.

Important events after the end of the period

The Group had no subsequent event after 31 December 2023 and up to the date of this announcement.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2023, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

Compliance with the Corporate Governance Code

The Company is committed to maintaining high quality corporate governance. The corporate governance principles of the Company are to promote effective internal management measures, to maintain high quality ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company's corporate governance practice is based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the year, the Company has fully complied with the CG Code except for the deviation from code provision C.2.1 of Part 2 of the CG Code. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

Under code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals. As at the date of this announcement, the roles of chairman and chief executive officer of the Company are not separated and Mr. Fan Shaozhou currently holds both positions. Mr. Fan has extensive experience in the decoration and engineering industry and is responsible for the overall management, decision-making and strategic planning of the Group. He plays a key role in the growth and business expansion of the Group. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Fan Shaozhou has the benefit of ensuring consistent internal leadership within the Group and enables effective and efficient general strategic planning for the Company. The Board is of the view that the balance of power and authority achieved by the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number of independent non-executive Directors.

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of the Directors, all Directors have confirmed that they had complied with the required dealing standards set out in the Model Code throughout the period from the Listing Date to 31 December 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) to receive, consider and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditor of the Company for the year ended 31 December 2023 will be held on a date to be announced by the Company. The notice and circular convening the AGM will be published and dispatched to the shareholders in accordance with the requirements of the Listing Rules in due course. Shareholders should refer to details in the circular of the Company regarding the AGM, the notice of AGM and the form of proxy despatched by the Company.

SCOPE OF WORK OF ZHONGHUI ANDA CPA

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, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the “**Audit Committee**”) comprises all the independent non-executive Directors, namely Mr. Ma Kin Ling (the Chairman), Mr. Huang Wei and Ms. Lau Chui Ping Soey.

The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.szwyzs.com.cn) in due course. The 2023 annual report of the Company will be despatched to the shareholders and published on the aforesaid websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9 a.m. on 2 April 2024 pending the publication of the Company's audited consolidated results for the year ended 31 December 2023. Following the publication of this results announcement, an application has been made by the Company to the Stock Exchange for resumption of trading in its shares, with effect from 9:00 a.m. on 5 April 2024.

By Order of the Board
Wenye Group Holdings Limited
Fan Shaozhou
Chairman and Executive Director

Shenzhen, PRC, 3 April 2024

As at the date of this announcement, the Board of the Company comprises (i) two executive directors, namely, Mr. Fan Shaozhou (Chairman and Chief Executive Officer) and Mr. Kong Guojing (Co-Chairman); (ii) three non-executive directors, namely, Mr. Chen Li, Mr. Shen Peng, and Mr. Li Hongxing; and (iii) three independent non-executive director, namely Mr. Huang Wei, Ms. Lau Chui Ping Soey and Mr. Ma Kin Ling.