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

2023 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Shaozhou (范少周)
(Chairman and chief executive officer)
Mr. Wan Neng (萬能)
(Chief financial officer) (Resigned on 14 March 2023)
Mr. Kong Guojing (孔國競) *(Co-Chairman)*
(appointed on 6 June 2023)
Mr. Peng Weizhou (彭偉周)
(Resigned on 20 November 2023)

Non-Executive Directors

Mr. Deng Guanghui (鄧光輝)
(Resigned on 13 February 2023)
Mr. Chen Li (陳立)
Mr. Shen Peng (諶鵬) *(Appointed on 18 January 2023)*
Mr. Li Hongxing (黎紅星) *(Appointed on 13 February 2023)*

Independent Non-Executive Directors

Mr. Liu Xiaoyi (劉曉一) *(Resigned on 19 April 2023)*
Mr. Gao Rongshun (高榮順) *(Resigned on 20 July 2023)*
Mr. Yi Xiaopei (易曉培) *(Resigned on 7 August 2023)*
Mr. Ma Kin Ling (馬健凌) *(Appointed on 22 July 2023)*
Mr. Huang Wei (黃偉) *(Appointed on 13 October 2023)*
Ms. Lau Chui Ping Soey (柳翠萍)
(Appointed on 13 October 2023)

BOARD COMMITTEES

Audit Committee

Mr. Yi Xiaopei (易曉培) *(Chairman)*
(Resigned on 7 August 2023)
Mr. Gao Rongshun (高榮順) *(Resigned on 20 July 2023)*
Mr. Liu Xiaoyi (劉曉一) *(Resigned on 19 April 2023)*
Mr. Ma Kin Ling (馬健凌) *(Chairman)*
(Appointed on 22 July 2023)
Mr. Huang Wei (黃偉) *(Appointed on 13 October 2023)*
Ms. Lau Chui Ping Soey (柳翠萍)
(Appointed on 13 October 2023)

Remuneration Committee

Mr. Liu Xiaoyi (劉曉一) *(Chairman)*
(Resigned on 19 April 2023)
Mr. Yi Xiaopei (易曉培) *(Chairman)*
(Resigned on 7 August 2023)
Mr. Ma Kin Ling (馬健凌) *(Appointed on 22 July 2023)*
Ms. Lau Chui Ping Soey (柳翠萍) *(Chairperson)*
(Appointed on 13 October 2023)
Mr. Fan Shaozhou (范少周)

Nomination Committee

Mr. Fan Shaozhou (范少周) *(Chairman)*
Ms. Huang Guiqing (黃桂清)
(Resigned on 14 June 2022)
Mr. Yi Xiaopei (易曉培) *(Chairman)*
(Resigned on 7 August 2023)
Mr. Liu Xiaoyi (劉曉一) *(Resigned on 19 April 2023)*
Mr. Ma Kin Ling (馬健凌) *(Appointed on 22 July 2023)*
Mr. Huang Wei (黃偉) *(Appointed on 13 October 2023)*

LEGAL ADVISER AS TO HONG KONG LAW

C&T Legal LLP
10/F & 22/F, Shum Tower,
268 Des Voeux Road Central,
Sheung Wan, Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited
23/F, Tower 2, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay,
Kowloon, Hong Kong

REGISTERED OFFICE

VISTRA (CAYMAN) LIMITED
P.O. Box 31119,
Grand Pavilion,
Hibiscus Way,
802 West Bay Road,
Grand Cayman,
KY1-1205,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

5/F, Baoneng Motor Building,
No. 128 Liyuan Road,
Luohu District,
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F, Shum Tower,
268 Des Voeux Road Central,
Sheung Wan, Hong Kong

COMPANY SECRETARY

Mr. Law Man Hei Eugene (羅文僖)

AUTHORISED REPRESENTATIVES

Mr. Fan Shaozhou (范少周)
Mr. Law Man Hei Eugene (羅文僖)

COMPLIANCE ADVISER

Fortune Financial Capital Limited
Units No. 4102–06,41/F
COSCO Tower
183 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Shenzhen Branch, Zhenhua sub-branch
1/F, Design Tower
No. 8 Zhenhua Road
Futian District, Shenzhen, PRC

Bank of Hangzhou
Shenzhen Branch
Room 1701, 17/F, Block B
CNOOC Building
No. 3168 Houhaibin Road
Nanshan District, Shenzhen, PRC

COMPANY'S WEBSITE

www.szwyzs.com.cn

STOCK CODE

1802

DEFINITION

"Articles of Association"	:	the amended and restated articles of association of the Company (as amended from time to time)
"Board"	:	board of Directors of the Company
"BVI"	:	British Virgin Islands
"Chenli Holdings"	:	Chenli Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and is one of the Company's Shareholders
"CG Code"	:	Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Company"	:	Wenye Group Holdings Limited
"Director(s)"	:	director(s) of the Company
"ESOP Holdings"	:	Wenye Innovator Holdings Limited, a company incorporated under the laws of BVI with limited liability on 29 November 2018 and is one of the Company's Shareholders
"Fanshaozhou Holdings"	:	Fanshaozhou Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and is one of the Company's Controlling Shareholders
"Global Offering"	:	the offer of Shares by the Company for subscription by the public, the details of which are set out in the Prospectus
"Group"	:	the Company and its subsidiaries
"Hong Kong"	:	the Hong Kong SAR
"HK$"	:	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	:	14 January 2020, the Shares in issue were initially on the Main Board of the Stock Exchange
"Listing Rules"	:	Rules Governing the Listing of Securities and the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	:	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NEEQ"	:	the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares of public companies

"PRC or China"	:	The People's Republic of China
"Prospectus"	:	the prospectus of the Company dated 31 December 2019 in connection with the Global Offering
"R&D"	:	research and development
"RSU Scheme"	:	restricted share unit scheme
"RMB"	:	Renminbi, the lawful currency of the People's Republic of China
"Share(s)"	:	ordinary share(s) of HK$0.0001 each in the share capital of the Company
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Wenye Decoration"	:	Shenzhen Wenye Decoration Design Engineering Co., Ltd, a wholly owned subsidiary of the Company
"Wenye Elite Holdings"	:	Wenye Elite Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 November 2018 and one of the Company's substantial Shareholders
"Wenye Talent Holdings"	:	Wenye Talent Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 November 2018 and one of our Shareholders

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Wenye Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), I would like to present the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Year**").

The Group is a building decoration services provider based in Shenzhen City, Guangdong Province, the PRC. The Group's projects cover a wide range of buildings and properties, including public infrastructure, commercial buildings and residential buildings. Wenye Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 14 January 2020.

FINANCIAL PERFORMANCE

China's real estate market continued to be sluggish, and the decoration industry, which is closely related to the real estate industry, has not recovered for a long time. The Group strived to survive and develop in such a difficult environment. The Group published its 2021 annual report, 2022 annual report and 2023 interim report on 6 December 2023, and published an announcement on resumption of trading on 2 January 2024. 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.

BUSINESS REVIEW AND OUTLOOK

Throughout 2023, the Group has undertaken a total of 7 new construction projects with a total contract value of RMB1.6 million. During the Year, the Group had a total of 85 projects under construction with a total contract value of RMB524.4 million, among which 4 were design projects and 81 were construction projects.

Compared with last year, the total number of projects has shown significant decline. This was mainly due to the impact of a downturn in the macroeconomic economy, the unsatisfactory performance of the PRC real estate market and a shortage of funding in 2023.

CORPORATE RISK AND GOVERNANCE

The Group strictly complies with relevant laws and regulations in the course of business operation. The Group manages and controls the risks in the Group's operations by formulating relevant rules and regulations and holding regular management meetings. In accordance with the relevant Listing Rules of the Hong Kong Stock Exchange, the Group has also established the Remuneration Committee, the Nomination Committee and the Audit Committee, and has strictly complied with the Corporate Governance Code of the Hong Kong Stock Exchange and the code of conduct of directors, which effectively reduced the compliance risk of the Group. In addition, the Group will also continue to improve its corporate structure and enhance its risk management capabilities to minimize the risks arising from its business operations.

MARKET CONDITIONS

As urbanization continues to advance in China, people's demand for the decoration and renovation industry is strong, with an average compound annual growth rate of approximately 6.81% in the past five years. The total output value of the building decoration projects in China exceeded RMB5.5 trillion in 2022, and there is still considerable room for growth in the building decoration market in the future.

China's construction industry has accelerated its upgrading and transformation as a whole, driving the rapid development of domestic construction and decoration material product enterprises. As domestic enterprises continue to increase their research and development efforts, localized new technologies, new models and new products, including prefabricated buildings and new construction materials, are constantly emerging.

MAJOR AWARDS

With its outstanding construction process and excellent design capability, the Group was honored with various awards in 2023 and was fully recognized by customers and the industry.

For example, 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).

KEY MEASURES

In the face of these challenges, the Group has actively adopted a series of response measures. First of all, the Group has increased its R&D and innovation efforts and launched more market-competitive products and services to enhance its core competitiveness. Secondly, it has optimized the internal management procedures, reduced costs, improved efficiency, and strived to achieve greater value with limited resources. At the same time, the Group has strengthened communication and cooperation with customers, deeply explored customer needs, and provided customers with personalized solutions to enhance customer satisfaction and loyalty. Moreover, the Group pays close attention to policy changes and industry trends, and promptly adjusts its strategies and operating models to cater to changes in the external environment. The Group will strengthen communication and cooperation with government departments and actively participate in the activities organized by industry associations and chambers of commerce, so as to seek for more policy support and resource allocation and create a better external environment for the development of the Group.

OUTLOOK OF THE GROUP

New journey, new goals and new growth in 2024.

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

1. The Company plans to devote intensive efforts to the Company's existing advantageous aspects of engineering, such as high speed rail, airport, hospitals, hotels, etc..

2. The Company will leverage national Belt and Road Initiative and resources and utilize the benefits of overseas listing to carry out overseas business.

3. The Company will enhance internal ability and internal 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 business partnership system.

5. The Company will identify new points of profit growth, launch industrial internet-based SaaS service platform to achieve organization platformization and solve industry closed-loop sore points though transformation. It will achieve exponential performance growth through the online labour services platforms, the smart construction site system based on BIM technology, the centralized procurement system covering the entire region, as well as the combination of industry and financial innovation.

6. The Company will integrate resources by investing in new projects through the issuance of shares and bring new vitality and qualitative leaps to the enterprise through top-level design and strategic deployment.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to our devoted employees and management team. I would also like to extend my sincere gratitude to our Shareholders and partners for their support, trust and concern for the Group. The Group will always adhere to its original aspirations and use its best endeavor to become a first-class decoration enterprise in the decoration industry.

Fan Shaozhou
Chairman

THE BOARD'S RESPONSE TO THE DISCLAIMER OF OPINION

The Auditor expressed a disclaimer of opinion in the independent auditors' report on the 2023 Financial Statements (the "**Independent Auditors' Report**"). As stated in the "Basis for Disclaimer of Opinion" section in the Independent Auditors' Report, the basis for the Auditor to express a disclaimer of opinion was material uncertainty related to going concern. The Board and the audit committee of the Board have reviewed and agreed with the disclaimer of opinion on the Independent Auditors' Report.

DETAILS OF THE MODIFICATIONS AND THEIR ACTUAL OR POTENTIAL IMPACT ON THE COMPANY'S FINANCIAL POSITION

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.

The Group has entered into contracts with new independent third-party customers for building interior and exterior decoration and design projects (the "**Projects**"). The Auditor was unable to obtain sufficient appropriate audit evidence regarding the sources of funds to implement the Projects and whether the project's expected completion date will be satisfactorily adhered to.

The Group is in settlement discussion with a bank over an overdue bank loan with a principal amount of approximately RMB28,774,000 and is also discussing settlement with other borrowers over overdue other loans with a principal amount of approximately RMB71,832,000 (collectively referred as the "**Settlement Arrangements**"). The Auditor requested for the settlement agreements, but the Group was unable to provide them as the Group had not yet entered into definitive agreements with the bank and the other borrowers.

The Group has been in discussions with several potential investors to obtain new funds to support the Group's operations. The Auditor requested for investment/capitalization agreements and the Group was unable to provide the agreements as the Group had not yet entered into definitive agreements with investors.

For outstanding amounts owed to creditors and due payments from ongoing litigation ("**Creditors**"), the Group is discussing with Creditors a debt restructuring with a view to reduce the Group's debt. The Auditor requested for the debt restructuring agreement and the Group was unable to provide the agreement as the Group had not yet entered into such agreement with the Creditors. The directors of the Company, taking into account the plans and measures that they are implementing to address the disclaimer as set out in the section headed "Management's View and Position On The Disclaimer and Action Plan to Address the Disclaimer" below, are of 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 contained in this annual report.

MANAGEMENT'S VIEW AND POSITION ON THE DISCLAIMER AND ACTION PLAN TO ADDRESS THE DISCLAIMER

In order to address the disclaimer, the Group has taken and will continue to implement the following measures to improve the Group's liquidity position:

(i) the Group has been actively seeking and communicating with new customers on building interior and exterior decoration and design projects;

The Group entered into a Memorandum of Understanding with a hotel chain operating around 115 hotels in the PRC for renovation and interior decoration services. The Group will provide such services to around 25 hotels within the chain for a total consideration of RMB225 million (the "**Hotel Project**"). The terms and conditions of the Hotel Project will be subject to the parties entering into a definitive agreement.

Back in October 2023, the Group entered into a renovation contract with Widely Construction & Engineering Limited (偉力建築工程股份有限公司) for a total contract sum of HKD15 million ("**Construction Project**"). The parties have entered into a Memorandum of Understanding in relation to the timing of the Construction Project and work is expected to commence in around June 2024 and complete by the end of 2024.

Further, back in November 2023, the Group entered into a renovation contract with Guangdong Art Construction Group Co., Ltd.* (廣東美工建設集團有限公司) as the main contractor for the internal and external renovation work of Jade Capital Plaza* (玉都廣場) in Rongcheng District, Jieyang City, Guangdong Province ("**Jade Capital Plaza Project**") for a total contract sum of RMB70 million. The renovation work is expected to commence in around June 2024 and complete by the end of 2024.

(ii) the Group has been actively negotiating with a bank and other borrowers over the settlement of overdue bank borrowing and other borrowings. The Group's bank borrowings has reduced from approximately RMB36,222,000 for the financial year ended 31 December 2022 to approximately RMB28,774,000 for the financial year ended 31 December 2023, while its other borrowing amount remained stable;

(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. The Company has also entered into a Memorandum of Understanding with a connected person of the Company and two independent third party investors in relation to issuance of shares under specific mandate for a consideration of not less than RMB20 million. The structure of the fundraising exercise will be subject to the parties entering into a definitive agreement. The fresh funds from the share issuance will strengthen the Group's working capital and is intended to be used for repayment of the Group's debts and liabilities and for the new projects signed up by the Group.

(iv) the Group has been actively communicating with creditors to resolve outstanding amount as well as the due payments on pending lawsuits through carrying out debt restructuring;

(v) Based on the latest communications with banks and guarantee company, the directors of the Company are not aware of any intention of the banks and guarantee company refusing to issue letter of guarantee. The directors believe that given the good track records and relationships the Group has with the banks and guarantee company, they will continue to issue letter of guarantee to assist the operation of the Group; and

(vi) the Group will continue to closely monitor and take active measures to control administrative costs through various channels such as human resources optimisation and containing capital expenditures.

Considering the successful and continued implementation of the measures, the Directors are of the opinion that the Group will have sufficient working capital and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

AUDIT COMMITTEE'S VIEW TOWARDS THE DISCLAIMER

The audit committee of the Company had critically reviewed the basis for the disclaimer. The audit committee had also discussed with the auditor the financial position of the Group, the measures taken and to be taken by the Company, and considered the auditor's rationale and understood their consideration in arriving to the disclaimer. The audit committee agreed with the management of the Group that the Group is able to continue as a going concern.

Accordingly, the consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis. The audit committee requested the management to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year.

BUSINESS REVIEW

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. 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	
	RMB million	**%**	RMB million	%
Revenue from construction services	**78.7**	**96.8**	363.5	96.1
Design service income	**2.6**	**3.2**	14.6	3.9
Total	**81.3**	**100.0**	378.1	100.0

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 report.

Charges on the Group's assets

As at 31 December 2023, the Group's certain trade receivables (2022: land and buildings of RMB4.7 million, investment properties of RMB2.1 million and certain trade receivables) were pledged as collateral for the Group's certain borrowings.

Future plans for substantial investments or capital assets

As at 31 December 2023, the Group did not have any future plans for material investments or capital assets.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**81,343**	378,119	1,031,361	1,247,561	1,557,914
(Loss)/profit before taxation	**(65,524)**	(193,417)	(1,162,866)	32,525	59,340
Income tax expense	**–**	(172)	(43,310)	(11,456)	(19,508)
(Loss)/profit for the year	**(63,524)**	(193,589)	(1,206,176)	21,069	39,832

ASSETS AND LIABILITIES

	At 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**239,752**	300,980	567,801	1,952,677	1,823,038
Total liabilities	**(1,074,751)**	(1,072,459)	(1,147,687)	(1,326,873)	(1,348,285)
	(834,999)	(771,479)	(579,886)	625,804	474,753

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior Management as at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Fan Shaozhou (范少周), aged 56, is the chairman, executive Director and chief executive officer of our Group. He is responsible for the overall management, strategic planning and decision-making of our Group.

Mr. Fan has over 29 years of experience in the decoration and design engineering industry. He joined the Group in January 1993 and he served as a project manager of Shenzhen Wenye Decoration Design Engineering Co., Ltd (深圳文業裝飾設計工程有限公司) ("**Wenye Decoration**"). From January 1993 to October 1996. Subsequently, he served as the manager of the Ji'nan branch company of Wenye Decoration from October 1996 to October 2006. From October 2006 to September 2008, Mr. Fan served as the deputy general manager of Wenye Decoration. After that, prior to the listing of the shares of Wenye Decoration on the NEEQ in April 2016 (the "**NEEQ Listing**"), Mr. Fan served as a director and the general manager of Wenye Decoration from September 2008 to September 2015. In preparation for the NEEQ Listing, Wenye Decoration converted into a joint stock company in September 2015 and Mr. Fan was appointed as a director and the general manager of Wenye Decoration. During the NEEQ Listing, Mr. Fan was appointed as the chairman of the board of directors of Wenye Decoration in November 2016. After the NEEQ De-Listing and conversion to a limited liability company, in November 2018, Mr. Fan ceased to be the director and chairman of the board of directors of Wenye Decoration and has been acting as the sole executive director and general manager of Wenye Decoration since then. From the incorporation of our Company in November 2018 to March 2019, Mr. Fan acted as the sole director of our Company, and since March 2019, Mr. Fan has been acting as our executive Director, chief executive officer and chairman of the Board.

Mr. Fan received his diploma in electric engineering from Guangdong University of Education (廣東第二師範學院), (formerly known as Guangdong Institute of Education (廣東教育學院)) in June 1990. He further received his master's degree in Business Administration from The Chinese University of Hong Kong (香港中文大學) in November 2013.

Mr. Kong Guojing (孔國競), 59 years old, is the co-chairman and executive Director of our Group. He joined the Group in June 2023 and has been engaged in social enterprises and corporate management and operation for more than 20 years. He has extensive experience in internal and external management such as company investment planning, policy deployment and asset management service and actively serve the society through charity and public welfare work. He also has extensive experience and resources in project management in the construction industry.

From 1995 to 1997, he was the general manager of the branch office of Shenzhen Tegeta Decoration Design & Engineering Co. Ltd* (深圳市特藝達裝飾設計工程有限公司) and was the general manager of the business development department of Shenzhen Ping Wing Construction Co. Ltd.* (深圳市坪榮建築有限公司) from 1998 to 2006.

In 2006, he served as the chairman of Zhikang Special Children's Rehabilitation Center* in Longgang District, Shenzhen (深圳市龍崗區智康特殊兒童康復中心). The center was rated as a 5A-level social organization and an advanced social organization for the disabled in Shenzhen. In 2007, he served as the vice president of Shenzhen Longgang Luhe Enterprise Association* (深圳市龍崗陸河企業協會) and served as the chairman of Shenzhen Weida Property Management Co., Ltd.* (深圳市偉達物業管理有限公司) from 2009 to 2020. In 2013, he became the honorary vice president of Shenzhen Business Red Cross Society* (深圳市商務紅十字會) and was awarded the honour of "Helping the Disabled and Caring Model" by Shenzhen Longgang District Disabled Persons' Federation* (深圳市龍崗區殘疾人聯合會) in 2016. In 2022, he became the honorary president of the Luhe County Table Tennis Association* (陸河縣乒乓球協會).

NON-EXECUTIVE DIRECTORS

Mr. Chen Li (陳立), aged 63, is our non-executive Director. He is responsible for providing strategic advice and guidance on the business development of our Group.

Mr. Chen has more than 28 years of experience in the decoration and engineering industry. Mr. Chen joined our Group in January 1994. From January 1994 to September 2001, he served as a project manager in Wenye Decoration. Subsequently, He acted as the branch manager in the Wuhan branch of Wenye Decoration from September 2001 to April 2013. Mr. Chen then served as a vice president of Wenye Decoration from April 2013 to September 2015. From September 2015 to July 2016, Mr. Chen served as a director of Wenye Decoration. Mr. Chen served as general manager of the first business department from June 2016 to May 2017. Mr. Chen has been serving as the project manager of Wenye Decoration since June 2017. Apart from his positions in our Group, Mr. Chen is currently acting as a vice chairman of the board of directors of Wuhan Naite Information Technology Co., Ltd. (武漢奈特信息技術有限公司); as a director of Shanghai Mingrui Financial Leasing Co., Ltd. (上海明鋭融資租賃有限公司); as a director of Shanghai Delong Commercial Factoring Co., Ltd. (上海德礱商業保理有限公司); and as the supervisor of Wuhan Shenjian Construction Decorative Design Co., Ltd. (武漢深建建築裝飾設計工程有限公司).

Mr. Chen received his master's degree in Business Administration in Executive Management from the Royal Roads University in Canada in June 2006.

Mr. Shen Peng (諶鵬), aged 37, is our non-executive Director. He joined the Group in June 2023. Mr. Shen has over 10 years of experience in business management and is experienced in corporate strategic investment planning, corporate mergers and acquisitions, asset management, internal control, etc. From 2008 to 2012, he worked at Beijing Hezhi Chuangzhan Investment Company Limited* (北京合智創展投資有限公司) as a department manager. From 2012 to 2014, he worked at Sichuan Guoxin Limited* (四川國信有限公司) as a department manager. From 2015 to 2017, he worked at Zhongjin Tianyin Asset Management Limited* (中金天銀資本管理有限公司) as person-in-charge of the western district.

From 2017 to 2021, he worked at Sichuan Ruifeng Investment Management Group Limited* (四川鋭豐投資管理集團有限公司) as general manager, and was responsible for investment and asset management matters. Since 2021, he has been serving as the chairman of Sichuan Dingsheng Ronghui Enterprise Limited* (四川鼎盛榮輝實業有限公司), which engages in investment and supply chain related services in the PRC.

Mr. Shen obtained a bachelor's degree in economics from the Central University of Finance and Economics of the PRC in 2009 and a master's degree in international business management from the Paris School of Business of France in March 2020. He obtained a Certificate of Human Resource Manager* (人力資源總監證書) from the Department of Human Resources and Social Security of Sichuan Province of the PRC (中國四川省人力資源和社會保障廳) in August 2014. He also obtained a Fund Management Qualification Certificate* (基金管理資格證) and a Fund Practitioner Qualification Certificate* (基金從業資格證) from the Asset Management Association of China (中國證券投資基金業協會) in April 2021.

Mr. Li Hongxing (黎紅星), aged 43, is our non-executive Director. He joined the Group in February 2023. Mr. Li has over 10 years of experience in engineering management. He served as the executive vice president of Shenzhen Construction and Decoration Industry Group Co., Ltd.* (深圳市建裝業集團股份有限公司) from November 2009 to June 2015, during which he was responsible for assisting the chairman to oversee the administrative and project management of the company. He served as the general manager of Shenzhen Yatian Decoration Design Engineering Co., Ltd.* (深圳市雅田裝飾設計工程有限公司) (currently known as Shenzhen Ruiyuan Decoration and Design Engineering Co., Ltd.* (深圳市瑞元裝飾設計工程有限公司)) from July 2015 to April 2016, during which he was responsible for overseeing the overall management of the company. He has been the vice president of Shenzhen Wenye Decoration Design Engineering Co., Ltd. (深圳文業裝飾設計工程有限公司) since April 2016, and he is responsible for overseeing departments for marketing, procurement, cost control, overseas business, etc. Mr. Li graduated from the Wuhan University of Technology (武漢理工大學) in the People's Republic of China (the "**PRC**") with an associate degree in industrial and civil construction in July 2007. He further obtained a bachelor's degree in computer science and technology from the PLA Academy of Artillery (中國人民解放軍炮兵學院) in the PRC in June 2010. Mr. Li obtained a master's degree in construction and civil engineering from Chongqing University in the PRC in December 2016. He was accredited as a first-grade certified constructor (一級建造師) by the Ministry of Construction of the PRC (中華人民共和國建設部) in June 2010. He was accredited as a senior engineer by the Ministry of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in March 2015. Mr. Li was awarded the Honorary Certificate for 2014 National Building Decoration Industry Excellent Project Manager* (2014年全國建築裝飾行業優秀項目經理榮譽證書) by the China Building Decoration Association (中國

建築裝飾協會) in June 2014 and the Special Honorary Certificate for 2014 "Luban Award" Project Manager (Construction Participation)* (2014年度「魯班獎」工程項目經理(參建)特別榮譽證書) by the China Construction Industry Association (中國建築業協會) in June 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Wei (黃偉), aged 39, is our independent non-executive Director. He joined the Group in October 2023. Mr. Huang is a registered lawyer admitted in the People's Republic of China ("**PRC**") since November 2011 and has over 10 years of experience in advising corporations in capital markets and in corporate governance. Mr. Huang has been the senior partner of Hylands Law Firm Shenzhen Office* (北京浩天(深圳)律師事務所) since September 2022. From January 2018 to August 2022, Mr. Huang worked in Guanghe Law Firm* (廣東廣和律師事務所) as a senior partner. From July 2013 to December 2017, Mr. Huang worked in Yingke Law Firm Shenzhen Office* (北京市盈科(深圳)律師事務所) as a partner. From March 2010 to June 2013, Mr. Huang worked in China Commercial Law Firm* (廣東華商律師事務所). Mr. Huang graduated from The National Police University for Criminal Justice* (中央司法警官學院) in the PRC in June 2008 with a Bachelor's Degree in Law. He subsequently completed his postgraduate studies in civil and commercial law from Sun Yat-Sen University* (中山大學) in the PRC in July 2013.

Ms. Lau Chui Ping Soey (柳翠萍), aged 41, is our independent non-executive Director. She joined the Group in October 2023. Ms. Lau has been a fellow certified management accountant of the Institute of Certified Management Accountants, Australia since December 2016. Ms. Lau possesses around 10 years of experience in accounting, internal control and compliance. Prior to joining the Group, Ms. Lau served as an accounting manager of Ultima Healthcare Limited from February 2022 to April 2022. From November 2019 to February 2022, Ms. Lau worked in L. C. Industrial (Hong Kong) Limited as a financial controller. From February 2017 to April 2018, Ms. Lau worked in Crownwell Contracting (HK) Co., Ltd. as a compliance officer. From October 2015 to January 2017, Ms. Lau worked as the head of corporate & investor relations in FLS Engineering (HK) Ltd. From July 2014 to November 2015, Ms. Lau worked in Landmaster Associates & Valuer Ltd. as an assistant company secretary. From May 2011 to January 2013, Ms. Lau was the sole proprietor of Smart Accounting Services Company. From May 2010 to January 2011, Ms. Lau worked in Success International Bullion (H.K.) Ltd as a senior account executive. From November 2008 to June 2009, Ms. Lau worked in Luen Thai International Group Limited as an assistant business analyst. From March 2007 to May 2008, Ms. Lau worked as an auditor in KL CPA Limited. Ms. Lau graduated from Staffordshire University in the United Kingdom in June 2006 with a Bachelor of Arts Degree in Accounting. She obtained a Professional Diploma for Legal Executives from the Hong Kong Institute of Vocational Education in July 2013 and a Master of Arts Degree in Legal Translation from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in November 2014. Ms. Lau further obtained a Graduate Diploma in English and Hong Kong Law awarded by Manchester Metropolitan University in the United Kingdom in September 2023.

Mr. Ma Kin Ling (馬健凌), aged 41, is our independent non-executive Director. He joined the Group in July 2023. Mr. Ma holds various positions in companies listed on the Main Board of the Stock Exchange.

He is currently the chief financial officer and company secretary of China Zenith Chemical Group Limited (stock code: 362) and an independent non-executive director of SunCorp Technologies Limited (stock code: 1063) and Wisdom Wealth Resources Investment Holding Group Limited (stock code: 7) Mr. Ma is a member of the Hong Kong Institute of Certified Public Accountants. He graduated from the City University of Hong Kong with a Bachelor of Business Administration degree (Honours) in Accountancy and Law. Prior to joining the Group, he worked in reputable international accounting firms and has over 10 years of experience in auditing and accounting.

SENIOR MANAGEMENT

Mr. Law Man Hei Eugene (羅文僖), aged 30, was appointed as our company secretary in July 2022. Mr. Law is a practicing solicitor qualified in Hong Kong and is experienced in corporate finance, corporate governance and compliance matters. Mr. Law holds a Bachelor of Laws degree from the London School of Economics and Political Science in the United Kingdom.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited financial statements (the "**Consolidated Financial Statements**") of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of interior and exterior building decoration and design services and our projects mainly cover a wide range of buildings and properties, including industrial buildings, public infrastructure, commercial buildings and residential buildings.

Principal Risks and Uncertainties

The Group's performance is affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Business concentration

The Group's operation and major assets are concentrated in the PRC. Accordingly, the Group's business performance, financial position and future prospects are largely dependent on the performance of the property market in the PRC which may be adversely affected by unfavourable changes in the political, social, economic and legal environment. Control measures taken of to mitigate such risks are as follows:

- continual monitoring of the operating and political environment in the PRC that any forthcoming anticipate issues that may affect the business activities of the Group could be addressed to promptly;

- ongoing focus to strengthen the Group's brand values and, within the fast-changing business environment in the PRC, make prompt adjustment to the Group's business strategies when necessary; and

- maintaining a comfortable level of gearing.

Risks pertaining to the building decoration and design services business

Our building decoration and design services business is subject to credit risk as there is no guarantee that our customers will make payment to us on time and in full for works done. Also, if we are unable to accurately estimate and control our project costs, we may achieve lower-than-expected profits on our projects and may even incur losses. In view of these, the Group is trying to develop and maintain a diversified customer base to reduce the risks of any downturn in any of the customers' industries causing a material adverse effect on the business.

Financial Risk

The Group is exposed to financial risks relating to currency risk, interest rate risk, credit risk and liquidity risk in its ordinary course of business. Further details of such risks and relevant management policies are set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during this Year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's financial key performance, particulars of important events affecting the Group during this Year, and an indication of likely future developments in the Group's business that has a significant impact on the Company, an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends, can be found in the section headed "Management Discussion and Analysis" set out on pages 9 to 15 of this annual report.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2023 and the financial information of the Group as at 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

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

DIVIDEND POLICY

The Company has established its dividend policy. When the Company records a profit and after taking into account other relevant factors, we would pay dividends to our shareholders according to the articles of association of the Company and applicable laws. However, such dividends are non-guaranteed. Our decision on dividend distribution depends on the financial situation of our Company, future market prospects, company funding needs and any other relevant factors which the Company thinks fit. The remaining net profits after dividend payout (if any) would be used for the development of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company 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 (the "**AGM**") 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 the AGM and the form of proxy despatched by the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed during a period to be announced by the Company, during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the AGM held on a date to be announced by the Company, non-registered shareholders must lodge all completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on a date to be announced by the Company.

SHARES ISSUED IN THE YEAR

Details of the shares issued in this Year are set out in Note 30 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Details of the movements during this Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 54 of this report.

As at 31 December 2023, the Company has no reserves available for distribution to the shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 16 of this annual report.

This summary does not form part of the audited consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in Note 27 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY'S LISTED SECURITIES

During the period from the Listing Date and up to the date of this report, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase, or sell such shares.

DONATIONS

The Group did not make any charitable donations during the year ended 31 December 2023.

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the Group

The financial risk management objectives and policies of the Group are set out in Note 6 to the Consolidated Financial Statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2023 are set out in Note 5 to the Consolidated Financial Statements.

ENVIRONMENTAL POLICY AND ITS PERFORMANCE

The Group is fully aware of the importance of environmental protection and has adopted strict environmental protection measures to ensure compliance with current environmental protection laws and regulations.

During the reporting period and up to the date of this report, the Group has not suffered any fines or penalties for violation of China's environmental protection laws and regulations.

The environmental, social and corporate governance report will be published as an independent report on the websites of the Company and the Stock Exchange.

RSU SCHEME

On 13 March 2019, the restricted share unit scheme (the "**RSU Scheme**") was approved and adopted by the then Directors of the Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of the Group for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any member of the Group any person who, in the sole opinion of who Board, has contributed or will contribute to any member of the Group (the "**RSU Eligible Persons**"). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from 13 March 2019 (unless it is terminated earlier in accordance with its terms). As at 31 December 2023, the remaining life of the RSU Scheme was approximately five years and nine months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

The Company has appointed Wenye Elite Holdings Limited as the trustee (the "**RSU Trustee**") to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as the Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

As at 31 December 2023, no RSU has been granted by the Company pursuant to the RSU Scheme.

EQUITY-LINKED AGREEMENTS

During the Year, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or subsisting during this Year.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors

Mr. Fan Shaozhou (范少周) *(Chairman and chief executive officer)*
Mr. Kong Guojing (孔國競) *(Co-Chairman) (Appointed on 6 June 2023)*
Mr. Wan Neng (萬能) *(Chief financial officer) (Resigned on 14 March 2023)*
Mr. Peng Weizhou (彭偉周) *(Resigned on 20 November 2023)*

Non-executive Director

Mr. Chen Li (陳立)
Mr. Shen Peng (諶鵬) *(Appointed on 18 January 2023)*
Mr. Li Hongxing (黎紅星) *(Appointed on 13 February 2023)*
Mr. Deng Guanghui (鄧光輝) *(Resigned on 13 February 2023)*

Independent Non-Executive Directors (the "INEDs")

Mr. Huang Wei (黃偉) *(Appointed on 13 October 2023)*
Ms. Lau Chui Ping Soey (柳翠萍) *(Appointed on 13 October 2023)*
Mr. Ma Kin Ling (馬健凌) *(Appointed on 22 July 2023)*
Mr. Liu Xiaoyi (劉曉一) *(Resigned on 19 April 2023)*
Mr. Liu Ziping (劉子平) *(Resigned on 14 June 2023)*
Mr. Yi Xiaopei (易曉培) *(Resigned on 7 August 2023)*

Mr. Huang Wei, Ms. Lau Chui Ping Soey and Mr. Ma Kin Ling (the INEDs) shall retire by rotation and offer themselves for re-election at the AGM in accordance with articles 16.2 and 16.18 of the Articles of Association.

The biographical details of the Directors as at the date of this Report are disclosed the section headed "Biographies of Directors and Senior Management" on pages 17 to 19 in this annual report.

INDEPENDENCE OF THE INEDS

The Company has received, from each of the INEDs who were in service during the year ended 31 December 2023, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all Directors, with a maximum term of 2 to 3 years. No service contract that can be terminated by the Group within one year without paying any compensation (other than statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the contracts described under the section headed "Related Party Transactions" below, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its holding company or subsidiaries or fellow subsidiaries was a party and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted at the end of this Year or at any time during this Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no transaction, arrangement or contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of this year or at any time during this Year.

CONNECTED TRANSACTIONS

During this Year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards and the Company has complied with the requirements in Chapter 14A of the Listing Rules. Details of the related party transactions entered into by the Group during this Year are disclosed in Note 35 to the Consolidated Financial Statements. The related party transactions disclosed in Note 35 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

Name of Directors	**Capacity/ Nature of interest**	**Relevant company**	**Number of Shares held** *(Note 1)*	**Approximate percentage of issued share capital** *(Note 2)*
Mr. Fan Shaozhou	Founder of a discretionary trust	Fanshaozhou Holdings *(Note 3)*	175,117,150	29.48%
	Beneficial owner		32,482,000	5.47%
Mr. Wan Neng	Interest in a controlled corporation	Wenye Talent Holdings *(Note 4)*	4,500,000	0.76%

Name of Directors	Capacity/ Nature of interest	Relevant company	Number of Shares held *(Note 1)*	Approximate percentage of issued share capital *(Note 2)*
Mr. Deng Guanghui	Beneficial owner		8,100,000	1.36%
Mr. Chen Li	Founder of a discretionary trust	Chenli Holdings *(Note 6)*	19,350,000	3.26%

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Notes:

1. All interests stated are long positions.

2. The percentage represents the total number of the Shares and the underlying Shares interested divided by the number of issued Shares of 594,000,000 as the date of this annual report.

3. Fanshaozhou Holdings is indirectly wholly-owned by CMB Wing Lung (Trustee) Limited, the Trustee of the Fan Family Trust. The Fan Family Trust is a discretionary family trust established by Mr. Fan and for the benefit of himself. Accordingly, Mr. Fan, as the founder and settlor of the Fan Family Trust, is deemed to be interested in such Shares held by Fanshaozhou Holdings for the purpose of Part XV of the SFO.

4. Mr. Wan Neng holds 13.02% of the share capital of Wenye Talent Holdings; and Wenye Talent Holdings holds 5.82% of the issued Shares of our Company. Accordingly, Mr. Wan Neng is deemed to be interested in 0.76% of the equity interest of our Company for the purpose of Part XV of the SFO.

5. Chenli Holdings is indirectly wholly-owned by CMB Wing Lung (Trustee) Limited, the Trustee of the Chen Family Trust. The Chen Family Trust is a discretionary family trust established by Mr. Chen Li and for the benefit of himself. Accordingly, Mr. Chen Li, as the founder and settlor of the Chen Family Trust, is deemed to be interested in such Shares held by Chenli Holdings for the purpose of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as the Directors and the chief executive of the Company are aware of, the following persons or entities had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO and recorded in the register referred to Section 336 of the SFO.

Name of Shareholders	Capacity/Nature of interest	Numbers of Shares held *(Note 1)*	Approximate percentage of the issued share capital *(Note 2)*
CMB Wing Lung Trustee Limited *(Note 3)*	Trustee of a trust	194,467,150	32.74%

Name of Shareholders	Capacity/Nature of interest	Numbers of Shares held *(Note 1)*	Approximate percentage of the issued share capital *(Note 2)*
Antopex Limited *(Note 3)*	Nominee for another person	194,467,150	32.74%
Fanshaozhou Holdings *(Note 3)*	Beneficial owner	175,117,150	29.48%
Modest Faith Limited *(Note 3)*	Interest in a controlled corporation	175,117,150	29.48%
Mr. Li Pak San (李伯晨) *(Notes 4 and 5)*	Interest in a controlled corporation	150,000,000	25.25%
Ocean Coalesce Investments Limited *(Note 5)*	Beneficial owner	150,000,000	25.25%
Ms. Ye Jinhua (葉錦花) *(Note 6)*	Interest of spouse	207,599,150	34.95%
Wenye Elite Holdings *(Note 7)*	Beneficial owner Interest in a controlled corporation	72,000,000	12.12%
	Interest in a controlled corporation	26,992,350	4.54%

Notes:

1. All interests stated are long positions.

2. The percentage represents the total number of the Shares held by each shareholder divided by the number of issued Shares of the Company of 594,000,000 as the date of this annual report.

3. Antopex Limited is wholly-owned by CMB Wing Lung (Trustee) Limited. CMB Wing Lung (Trustee) Limited is the trustee of the Fan Family Trust and Chen Family Trust. Antopex Limited is the nominee of the Fan Family Trust and Chen Family Trust and holds the entire equity interest of Modest Faith Limited and Best On Enterprises Limited on trust. Modest Faith Limited holds the entire equity interest of Fanshaozhou Holdings and Best On Enterprises Limited holds the entire equity interest of Chenli Holdings. Accordingly, Antopex Limited and CMB Wing Lung (Trustee) Limited is deemed to be interested in such number of Shares held by Fanshaozhou Holdings and Chenli Holdings and Modest Faith Limited is deemed to be interested in such number of Shares held by Fanshaozhou Holdings for the purpose of Part XV of the SFO.

4. Ocean Coalesce Investments Limited is wholly-owned by Mr. Li Pak San.

5. Legal proceeding has been commenced against Ocean Coalesce Investments Limited in relation to its acquisition of 150,000,000 Shares. The Share transfer and the legal and beneficial interest in the Shares are disputed.

6. Ms. Ye Jinhua is the spouse of Mr. Fan Shaozhou. Accordingly, Ms. Ye Jinhua is deemed to be interested in such Shares held by Mr. Fan Shaozhou for the purpose of Part XV of the SFO.

7. The entire share capital of ESOP Holdings is owned by Wenye Elite Holdings. Accordingly, Wenye Elite Holdings is deemed to be interested in such Shares held by ESOP Holdings for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, so far as is known by or otherwise notified to the Directors, none of any person (other than a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during this Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the businesses of the Group was entered into or existed during this Year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for this Year attributable to the Group's major suppliers and customers are as follows:

Purchases — raw material

— the largest supplier 10.8%

— five largest suppliers in aggregate 39.4%

Purchases — subcontractor

— the largest subcontractor 39.5%

— five largest subcontractors in aggregate 79.8%

Sales

— the largest customer 33.8%

— five largest customers in aggregate 63.6%

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued Shares) had any beneficial interest in the Group's five largest suppliers or customers.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 16 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules (i.e. at least 25% of the Company's issued Shares in public hands).

COMPETING BUSINESS

None of the Directors or the controlling Shareholders or their respective associates (as defined under the Listing Rules) has interests in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, during this Year.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Saved as disclosed elsewhere in this Report, the Group had no subsequent event after 31 December 2023 and up to the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout this Year. The Company has maintained Directors' liabilities insurance which provides appropriate cover for the Directors.

Pursuant to the Articles of Association and the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code and the Own Code of Conduct since the Listing Date and up to 31 December 2023. The Model Code also applies to other specified senior management of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 82 employees (31 December 2022: 141). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately RMB8.5 million (Year 2022: approximately RMB20.7 million).

The remuneration policy of the senior employees of the Group was tabled and recommended by the Remuneration Committee to the Board on the basis of the employees' merit, qualifications and competence.

The remuneration of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

The Company has implemented employee recognition schemes and awards, such as the restricted share unit scheme. At the same time, the group provides social security funds and related benefits for employers and provides appropriate training.

Details of the emoluments of the Directors and the five individuals with the highest emoluments for this Year are set out in Note 13 to the Consolidated Financial Statements.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B OF THE LISTING RULES

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the reporting period and up to the date of this annual report are set out below:

Mr. Gao Rongshun has resigned from the office of directors from 20 July 2023. Please see the announcements of the Company dated 27 September 2023 for details.

Mr. Shen Peng has been appointed as the Company's non-executive Director, with effect from 18 January 2023. Please see the announcement of the Company dated 18 January 2023 for details.

Mr. Deng Guanghui has resigned as the Company's non-executive director and Mr. Li Hongxing has been appointed as the Company's non-executive director, with effect from 13 February 2023. Please see the announcement of the Company dated 13 February 2023 for details.

Mr. Wan Neng has resigned as the Company's executive Director, with effect from 14 March 2023. Please see the announcements of the Company dated 2 May 2023 and 8 May 2023 for details.

Mr. Liu Xiaoyi has resigned as independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee, with effect from 19 April 2023. Please see the announcements of the Company dated 2 May 2023 and 8 May 2023 for details.

Mr. Kong Guojing has been appointed as the Company's executive Director and co-Chairman of the Company, with effect from 6 June 2023. Please see the announcement of the Company dated 7 June 2023 for details.

Mr. Ma Kin Ling has been appointed as the Company's independent non-executive Director and Chairman of the Audit Committee, with effect from 22 July 2023. Please see the announcement of the Company dated 22 July 2023 for details.

Mr. Huang Wei has been appointed as the Company's independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee, with effect from 13 October 2023. Please see the announcement of the Company dated 13 October 2023 for details.

Ms. Lau Chui Ping Soey has been appointed as the Company's independent non-executive Director, a member of the Audit Committee and the chairperson of the Remuneration Committee, with effect from 13 October 2023. Please see the announcement of the Company dated 13 October 2023 for details.

Mr. Peng Weizhou has resigned as the Company's executive Director, with effect from 20 November 2023. Please see the announcement of the Company dated 20 November 2023 for details.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high level of corporate governance. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 32 to 48 of this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors were not aware of any circumstances resulting in their responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

AUDIT COMMITTEE

The Audit Committee of the Company which was established with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the INEDs, namely Mr. Huang Wei, Mr. Lau Chui Ping Soey and Mr. Ma Kin Ling. Mr. Ma Kin Ling is the chairman of the Audit Committee.

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the audited Consolidated Financial Statements. The Audit Committee has reviewed the audited Consolidated Financial Statements and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Audit Committee has recommended the same to the Board for approval.

CHANGE OF INDEPENDENT AUDITOR

The Consolidated Financial Statements for the year ended 31 December 2023 have been audited by ZHONGHUI ANDA CPA Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting. A resolution to re-appoint ZHONGHUI ANDA CPA Limited as the Independent Auditor will be proposed to the shareholders at the forthcoming annual general meeting.

By order of the Board
Wenye Group Holdings Limited

Fan Shaozhou
Chairman and Executive Director

Shenzhen, PRC, 29 April 2024

CORPORATE GOVERNANCE PRACTICE

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 CG Code.

The Company has been listed on the Main Board of the Stock Exchange since the Listing Date and has complied with the principles and code provisions as set out in the CG Code during the year ended 31 December 2023 (the "**Period**"), except for the deviation from code provision C.2.1 of the CG Code which provides that the roles of chairman and chief executive office should be separated and performed by different individuals. As of the date of this report, the roles of chairman and chief executive officer of the Company are not separated and Mr. Fan Shaozhou ("**Mr. Fan**") currently holds both positions. Nonetheless, 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 Board, which currently comprises of experienced and high calibre individuals with sufficient number of independent non-executive Directors.

The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code. Our Board is also responsible for performing the functions set to Code Provision A.2.1 of the Part 2 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they have strictly complied with the required standards set out in the Model Code during the Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Period upon making reasonable enquiry.

DUTIES OF THE BOARD

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and performance, and is collectively responsible for facilitating the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides directions to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that effective internal control and risk management systems are in place. The Board has delegated responsibilities to the Board committees as set out in their respective terms of reference.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

During the Period, the Board is responsible for performing the corporate governance functions set out in the provision A.2.1 of the CG Code, including at least the following:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of directors and senior management;

(3) to review and monitor the Company's policies and practices on legal and regulatory compliance;

(4) to formulate, review and monitor code of conduct and compliance manual (if any) for employees and Directors; and

(5) to review the Company's compliance with the CG Code and disclosure made in the Company's annual report.

DELEGATION OF MANAGEMENT FUNCTIONS

The major powers and functions of the Board include, but not limited to, convening general meetings, reporting its work at general meetings, implementing resolutions passed at general meetings, considering and approving operating and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Articles of Association.

All Directors have full and timely access to all the information of the Company and advice from the company secretary and senior management of the Company, and may, where appropriate, request to seek independent professional advice at the Company's expenses for discharging their duties to the Company.

The Board is responsible for making decisions on strategic plans, major investment decisions and other significant operational issues of the Company, while responsibilities for implementing decisions of the Board, day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and tasks are subject to regular review. Prior approvals shall be obtained from the Board for any major transaction.

COMPOSITION OF THE BOARD

As at the date of this report, the Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Fan Shaozhou *(Chairman and Chief Executive Officer)*
Mr. Kong Guojing *(Co-Chairman)*

Non-Executive Directors

Mr. Chen Li
Mr. Shen Peng
Mr. Li Hongxing

Independent Non-Executive Directors

Mr. Huang Wei
Ms. Lau Chui Ping Soey
Mr. Ma Kin Ling

The biographies of the Directors as at the date of this report are set out in the section headed "Biographies of Directors and Senior Management".

Save as disclosed in the biographies of the Directors set out in the section headed "Biographies of Directors and Senior Management" in this annual report, none of the Directors has any personal relationship (including business, financial, family or other material/relevant relationship) with any other Director or chief executive.

All Directors, including non-executive Directors and independent non-executive Directors, contribute a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of Part 2 the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Fan Shaozhou has been performing both the roles of chairman and chief executive officer of the Company. 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 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this report, the Company complied with Rules 3.10 and 3.10A of the Listing Rules. The Company has three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors accounts for one-third of the number of Board members.

All independent non-executive Directors of the Company have confirmed in writing to the Company regarding their independence during the Period pursuant to Rule 3.13 of the Listing Rules. Based on the confirmations of the independent non-executive Directors, the Company has assessed their independence and considers each of them to be independent during the Period.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Under code provision B.2.2 of the CG Code, non-executive Directors should be appointed for a specific term and subject to re-election and those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment. Any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations and suggestions to the Board on the appointment, re-appointment and succession planning of Directors.

Each of Mr. Fan Shaozhou, being one of the executive Directors of the Company, and Mr. Chen Li, being one of the non-executive Directors of the Company, has entered into a service agreement with the Company for a term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Kong Guojing, an executive Director of the Company, has entered into a service agreement with the Company for an initial term of one year commencing from 6 June 2023 and will thereafter be automatically renewed for one year upon expiry of his term of office until terminated by not less than one month's notice in writing served by either party on the other.

Mr. Shen Peng and Mr. Li Hongxing, being the non-executive Directors of the Company, have entered into a service agreement with the Company for an initial term of one year commencing from 18 January 2023 and 13 February 2023, respectively, and they will thereafter be automatically renewed for one year upon expiry of their term of office until terminated by not less than one month's notice in writing served by either party on the other.

Each of Mr. Huang Wei, Ms. Lau Chui Ping Soey and Mr. Ma Kin Ling, being the independent non-executive Directors of the Company, has entered into a letter of appointment with the Company, the terms and conditions of each of such letters of appointment are similar in all material respects, subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

None of the Directors has a contract with the Company which is not expiring or determinable within one year without payment of compensation (other than statutory compensation).

BOARD MEETINGS

The Company adopts the practice of holding regular Board meetings at least four times a year and on average at least once each quarter. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend the meetings and discuss matters included in the agenda therein.

For other meetings of the Board and the Board committees, reasonable notices are generally given. The agenda and related Board meeting papers are despatched to the Directors or members of the Board committees at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. Where the Directors or members of the Board committees are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of the meetings are kept by the secretary of the Board with copies of such meeting minutes circulated to all Directors for their perusal and record purposes.

Minutes of meetings of the Board and the Board committees are recorded in full detail about the matters considered by the Board and the Board committees and the decisions reached, including any concern raised by the Directors. Draft minutes of each meeting of the Board and the Board Committees are sent to the Directors for comments within a reasonable time after the date of the meeting. Minutes of Board meetings are open for inspection by Directors.

The following table summarizes the attendance of individual Directors and committee members at each meeting during the Period:

	Number of Board meetings attended/ eligible to attend	Number of Audit Committee meetings attended/ eligible to attend	Number of Remuneration Committee meetings attended/ eligible to attend	Number of Nomination Committee meetings attended/ eligible to attend	Number of annual general meetings attended/ eligible to attend[8]
Executive Directors					
Mr. Fan Shaozhou	14/14	0/0	4/4	5/5	0/0
Mr. Kong Guojing[1]	7/7	0/0	0/0	0/0	0/0
Mr. Peng Weizhou[2]	13/13	0/0	0/0	0/0	0/0
Mr. Wan Neng[3]	0/0	0/0	0/0	0/0	0/0
Non-Executive Directors					
Mr. Deng Guanghui[4]	3/3	0/0	0/0	0/0	0/0
Mr. Chen Li	14/14	0/0	0/0	0/0	0/0
Mr. Shen Peng	11/12	0/0	0/0	0/0	0/0
Mr. Li Hongxing	9/10	0/0	0/0	0/0	0/0
Independent Non-Executive Directors					
Mr. Liu Xiaoyi[5]	2/4	0/0	2/2	2/2	0/0
Mr. Gao Rongshun[6]	5/7	0/0	0/0	0/0	0/0
Mr. Yi Xiaopei[7]	5/7	0/0	4/4	4/4	0/0
Mr. Huang Wei[9]	2/2	4/4	0/0	0/0	0/0
Ms. Lau Chui Ping Soey[10]	1/2	4/4	0/0	0/0	0/0
Mr. Ma Kin Ling[11]	6/6	4/4	1/1	1/1	0/0

1. Mr. Kong Guojing was appointed as executive Director and Co-Chairman of the Company on 6 June 2023.

2. Mr. Peng Weizhou resigned as the executive Director of the Company on 20 November 2023.

3. Mr. Wan Neng resigned as executive Director on 14 March 2023.

4. Mr. Deng Guanghui resigned as the non-executive Director of the Company on 13 February 2023.

5. Mr. Liu Xiaoyi resigned as the independent non-executive Director of the Company on 19 April 2023.

6. Mr. Gao Rongshun resigned as the independent non-executive Directors of the Company on 20 July 2023.

7. Mr. Yi Xiaopei resigned as independent non-executive Director on 7 August 2023.

8. The Company did not hold annual general meeting during the financial year ended 31 December 2023.

9. Mr. Huang Wei was appointed as independent non-executive Director of the Company on 13 October 2023.

10. Ms. Lau Chui Ping Soey was appointed as independent non-executive Director of the Company on 13 October 2023.

11. Mr. Ma Kin Ling was appointed as independent non-executive Director of the Company on 22 July 2023.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and update their knowledge and skills to ensure that their contribution to the Board remains fully informed and relevant.

Each newly appointed Director has been provided with necessary induction training and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant ordinances, laws, rules and regulations. All the Directors confirmed that they had complied with code provision C.1.4 of the CG Code during the year ended 31 December 2023, that all Directors had participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminar to develop professional skills.

All Directors are encouraged to participate in continuous professional development and their participation and training records during the year ended 31 December 2023 are as follows:

	Participation in Directors' training	Reading materials relating to the latest development of applicable regulatory requirements and the Listing Rules
Executive Directors		
Mr. Fan Shaozhou	✓	✓
Mr. Kong Guojing	✓	✓
Mr. Peng Weizhou	✓	✓
Non-Executive Directors		
Mr. Deng Guanghui	✓	✓
Mr. Chen Li	✓	✓
Mr. Shen Peng	✓	✓
Mr. Li Hongxing	✓	✓
Independent Non-Executive Directors		
Mr. Gao Rongshun	✓	✓
Mr. Liu Xiaoyi	✓	✓
Mr. Yi Xiaopei	✓	✓
Mr. Huang Wei	✓	✓
Ms. Lau Chui Ping Soey	✓	✓
Mr. Ma Kin Ling	✓	✓

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has purchased liability insurance for all Directors and members of the senior management to minimize risks that may be incurred in their normal performance of responsibilities.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the financial year ended 31 December 2023.

The Directors are responsible for overseeing the preparation of financial statements of the Company to ensure that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as necessary to enable the Board to make an informed assessment for approving the financial statements.

COMPANY SECRETARY

The Company Secretary is Mr. Law Man Hei Eugene. The biographical details of the Company Secretary are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. The Company Secretary took not less than 15 hours of relevant professional trainings in the Year as required under Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

As of the date of this report, the Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Huang Wei, Ms. Lau Chui Ping Soey and Mr. Ma Kin Ling. All members of the Audit Committee are independent non-executive Directors.

Mr. Ma Kin Ling is the chairman of the Audit Committee, who meets the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee include independently examining the financial positions of the Company, overseeing the financial reporting system, the risk management system and the internal control system of the Company, the audit procedures and the proposals of internal management, independently communicating with, monitoring and verifying the work of, internal auditors and external auditors. The Audit Committee is also responsible for reviewing the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), the risk management system and procedures and the re-appointment of the external auditor and the performance of duties as required aforesaid. The Board did not deviate from any recommendation given by the Audit Committee on the selection, appointment, removal or dismissal of the external auditor. The Audit Committee also reviewed the annual results of the Company and its subsidiaries for the financial year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. The Audit Committee also makes appropriate arrangements for employees to raise concerns in a confidential way about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available for inspection on the websites of the Company and the Stock Exchange.

The audit committee has reviewed the year-end audit plan for the year 2023 and has reviewed the audited financial statements of the Group for the financial year ended 31 December 2023 with the management and the independent auditor. The Audit Committee has also reviewed the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2023. The Audit Committee is of the opinion that the preparation of the underlying financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made. In addition, the Audit Committee has also reviewed significant internal audit issues, the re-appointment of external auditors and relevant scope of work and continuing connected transactions. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the selection and appointment of the external auditors, and reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2023.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Remuneration Committee

As of the date of this report, the Remuneration Committee comprises three members, namely Ms. Lau Chui Ping Soey (Chairperson), Mr. Fan Shaozhou and Mr. Ma Kin Ling, and the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the remuneration of the Directors and senior management of the Group, to establish formal and transparent procedures for developing the remuneration policy, to review and approve proposals for remuneration of the management, and to approve the terms of service contracts between the Company and our executive directors, with reference to the Board's corporate goals and objectives, to review and/or approve matters relating to share schemes (if any) and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management. The written terms of reference of the Remuneration Committee are available for inspection on the websites of the Company and the Stock Exchange.

During the Period, the remuneration committee held 4 meetings to consider and recommend to the Board the remuneration packages paid by the Company to the Directors and other related issues.

Pursuant to the Code Provision E.1.5 of the CG Code, the following table sets forth the remuneration band (excluding equity-settled share expenses) of the Directors and members of senior management for the year ended 31 December 2023 categorized by band(s):

Emolument Band	Remuneration	Number of Directors
1	HK$Nil – HK$1,000,000	3

Further details on remuneration of the Directors and the five highest paid employees required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Note 13 to the Consolidated Financial Statements.

Nomination Committee

As of the date of this report, the Nomination Committee comprises three members, namely Mr. Fan Shaozhou (Chairman), Mr. Huang Wei and Mr. Ma Kin Ling, and the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least once a year, to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendations to the Board on candidates to fill vacancies of the Board and/or the management, and to assess the independence of independent non-executive Directors. The written terms of reference of the Nomination Committee are available for inspection on the websites of the Company and the Stock Exchange.

The Company has adopted nomination policy ("**Nomination Policy**"). According to the Nomination Policy, the Nomination Committee duly considers (including but not limited to) the following criteria to assess, select and recommend candidates of directors to the Board:

1. Diversity in all its aspects, including but not limited to gender, age, experience, cultural and educational background, professional level, skill, and knowledge;

2. Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

3. Qualifications, including skills, accomplishment and experience in the relevant industries where the Company's business is involved in;

4. Independence;

5. Integrity and reliability;

6. Potential contributions that the individual(s) can bring to the Board; and

7. Commitment to enhance and maximize Shareholders' value.

The Nomination Committee will assess the candidates or existing Directors on such criteria as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for approval.

During the Period, the Nomination Committee held a meeting to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the re-election of retiring Directors.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 21 December 2019, which sets out the objective of achieving and maintaining a high level of diversity on the Board and the approach to achieve the said goal. The Company recognises the benefits of having a diversified Board because this will ensure that the Board members are able to maintain an appropriate balance of skills, experience and diversity that are necessary to support the Group's business strategies and sustainable development. The Company seeks to achieve a diversified Board by selecting candidates with reference to a number of factors, including but not limited to skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender, ethnicity and length of service. All appointments to the Board will be based on meritocracy, and candidates will be considered against objective criteria having due regard to the benefits of a diversified Board.

The nominations and appointments of members of the Board will continue to be made on merit basis based on its business needs from time to time and the contribution which the selected candidates will bring to the Board while taking into account diversity.

The Nomination Committee has primary responsibility for identifying candidates, formulating selection standards and procedures, and examining candidates for directors and senior management of the Company, and providing recommendations on the selection. The Nomination Committee will give adequate consideration to this policy in identifying and selecting suitably qualified candidates to become Directors of the Company.

The Nomination Committee is delegated to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure the consistent effectiveness of which, and where necessary, will make required revisions and recommend any such revision to the Board for consideration and approval.

For the year ended 31 December 2023, the workforce of the Company, including senior management, totaled 82 employees, of which 70% are male and 30% are female. The Company aims to avoid any form of harassment and discrimination in the workplace regarding age, gender, race, nationality, religion, marital status or disability through the implementation of human resources management policies and to ensure that all employees are treated equally and fairly. The Company will also ensure that gender diversity is promoted in the recruitment of middle and senior level employees and that they are provided with more appropriate on-the-job training and development, job promotion and compensation benefits, thereby achieving greater gender diversity.

DIVIDEND POLICY

The Company adopts a dividend policy on 21 December 2019 that aims to provide shareholders of the Company with dividends out of the Group's profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements (including without limitation, restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Companies Act (2023 Revision), Cap. 22 of the Cayman Islands (the "**Companies Act**") and the Articles of Association.

In proposing any dividend payout, the Board shall take into account, inter alia: (i) the Group actual and expected financial performance; (ii) shareholders' interests; (iii) retained earnings and distributable reserves of the Company and each of the other members of the Group; (iv) the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject; (v) possible effects on the Group's creditworthiness; (vi) any restrictions on payment of dividends that may be imposed by the Group's lenders; (vii) the Group's expected working capital requirements and future expansion plans; (viii) liquidity position and future commitments at the time of declaration of dividend; (ix) taxation considerations; (x) statutory and regulatory restrictions; (xi) general business conditions and strategies; (xii) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (xiii) other factors that the Board deems appropriate.

Subject to the Companies Act and the Memorandum of Association and Articles of Association, the Company in general meetings may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The dividends, interest and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company's investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereout of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Board are of a revenue nature, constitute the profits of the Company available for distribution.

The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide, the Board shall not incur any responsibility to the holders of shares conferring any preferential rights.

The Board may also pay half-yearly or at other intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits available for distribution justify the payment.

The Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit, and the provisions as regards the powers and the exemption from liability of the Board as relate to declaration and payment of interim dividends shall apply, mutatis mutandis, to the declaration and payment of any such special dividends.

The Company will continually review the Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Policy at any time, and the Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

COMPANY SECRETARY

Mr. Law Man Hei Eugene ("**Mr. Law**") has been the company secretary and authorized representative of the Company since 15 July 2022. Mr. Law is a practicing solicitor qualified in Hong Kong. He holds a Bachelor of Laws degree from the London School of Economics and Political Science and a Postgraduate Certificate in Laws from the City University of Hong Kong. He has experience in corporate finance, corporate governance and compliance matters. He confirmed that he has complied with all the qualifications and experience requirements as required by the Listing Rules.

AUDITORS

The financial statements set out in this annual report have been audited by Zhonghui Anda CPA Limited. For the year ended 31 December 2023, the fees payable by the Group to Zhonghui Anda CPA Limited in respect of audit and non-audit services provided by them were as follows:

	RMB *(million)*
Audit services — annual audit on the consolidated financial statements of the Company for the year ended 31 December 2023	1.7
Total	1.7

The responsibility statement of the Company's external auditor on preparing reports on the Consolidated Financial Statements is set out in the independent auditor's report in pages 49 to 50.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to establishing high quality risk management and internal control systems to safeguard shareholders' investment and corporate interests, and with the support of the Audit Committee, reviewing the effectiveness of such systems annually. The Company has designated a special department to be responsible for the internal audit function and established a sound system.

The Group makes use of an integrated risk management system to minimise and protect against a range of strategic, business, financial and legal risks. Through the risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management.

In order to formulate and implement policies in an effective way, our risk management system emphasises continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks, such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and operating results, costs of services, changes in intellectual property laws and company laws and possible legal disputes.

Process used to Identify, Evaluate and Manage Significant Risks

The processes used to identify, evaluate and manage significant risks by our Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect our Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

The information gathered is used for risk assessment. Our risk assessment procedures take into account the Company's general risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in areas of strategies, business, compliance and financial reporting. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal development, technology advancement and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the extent of influence it may have on our business. Risks with a high probability of occurring will be examined in a more stringent way to ensure accurate results. We then determine what countermeasures should be implemented in order to mitigate, absorb or reduce such risks and any negative consequence. Certain significant risks identified during the reporting period and the relevant risk mitigation plans are shown as below:

1. Global macroeconomic risks

The uncertainty of the global economic trend leads to changes in global markets. In the face of global economic changes, the Company adjusts its business development strategy accordingly, actively seeks and expands business development opportunities, and creates value for its shareholders. The Company also continuously improves its operational efficiency to confront uncertainties arising from the external environment.

2. Regulatory and compliance risk

As the Company continuously expands its businesses, the Company must abide by and comply with the relevant applicable laws and regulations in different jurisdictions, including but not limited to laws and regulations relating to privacy and data protection and labour protection and continue to pay attention to changes in industry laws and regulations. In addition, changes in international circumstances may affect the development of global policies and regulations and impact the development of various industries across different regions. The Company has taken practical steps to devote substantial resources in various areas to ensure the Company's compliance with regulatory requirements. The Company has engaged external professional consultants, kept abreast of the changes to relevant laws and regulations, adjusted strategies accordingly, taken appropriate actions or measures, improved internal training and the understanding of the laws and regulations, and enhanced the corresponding management system and policies to ensure that the Company is in compliance with such applicable laws and regulations.

During the Period, the Company has approved and reviewed the internal control system of the Group and the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group.

The Group's business was greatly impeded by the COVID-19 outbreak, strict precautionary and control lock down measures imposed by the PRC government and the poor performance and sentiment of the PRC real estate industry in recent years which the Group's business is closely related to by nature. As such, the Group adopted a more conservative business approach and shrank its personnel, which includes finance staff who were responsible for assisting and liaising with the auditor for the audit of the Group's financial results.

In view of the delayed publication of the Group's consolidated financial statements for the year ended 31 December 2023, the reasons thereof as set out in the section headed "Details of the Modifications and their actual or potential impact on the Company's financial position" in the Management Discussion and Analysis section of this annual report, and to avoid re-occurrence of the same, the Group will assign more personnel to assist the finance department of the Group to monitor the status of the audit and following up with the counterparties, including but not limited to confirmations, where necessary. In addition, the Group will raise any anticipated issues regularly to the audit committee to facilitate resolution of issues and take initiatives to follow up.

Save for the foregoing, the Board is not aware of any material internal control and risk management deficiency nor significant breach of limits or risk management policies, and considers that the current control system of the Company is effective and adequate, including the qualifications and experience of the staff of the Company, the performance of the accounting and financial reporting function, and the training programmes of the Company and the Company's experience and resources in relation to the budget. The Company has complied with the requirements under D.2.1 to D.2.7 of the CG Code relating to risk management and internal control. Save for the internal control deficiencies set out above, the Board confirmed that the internal control system is adequate and effective.

INSIDE INFORMATION

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules to ensure the confidentiality of the handling of inside information and to publish the relevant disclosure to the public as soon as practicable. For information that is difficult to maintain confidentiality, the Company timely discloses relevant information to ensure effective protection of the interests of investors and stakeholders.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the Company for each issue, including the election of an individual director, at the general meeting. All resolutions put forward at the general meeting will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 12.3 of the Articles of Association, general meetings can be convened on the written requisition of any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company deposited at the principal office of the Company in Hong Kong. Where the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

According to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of the Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after despatching the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been a written notice given to the company secretary by a member of the Company (not being the person to be proposed) entitled to attend and vote at the said meeting of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness for election.

Procedures for Shareholders to send enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which shareholders may at any time address their concerns or enquiries to the Company's Board.

Accordingly, where a shareholder intends to nominate a person for election as a director of the Company at a general meeting, the following documents shall be validly served at the registered office of the Company, namely: (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness for election; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's written consent to the publication of his/her personal information.

Communication with Shareholders and Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

To promote effective communication, the Company posts the latest information and updates on the Company's business operations and developments, financial information, corporate governance practice and other information in the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.szwyzs.com.cn/ for public access.

The general meeting of the Company provides a forum and an important channel for communication between the Board and the Shareholders. The chairman of the Board as well as the chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committee and, where applicable, the chairman of the independent Board committee, are available normally at the annual general meetings and other relevant general meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions therein.

Shareholders should direct their inquiries on their shareholdings to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong. For any enquiry, investors may also write to the Company through the following contact details, in order to facilitate the communication between Shareholders and the Company:

Postal address:	5/F, Baoneng Motor Building, No. 128 Liyuan Road, Luohu District, Shenzhen, PRC
Telephone:	86-0755-83288118
Email address:	ir@szwyzs.com.cn

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2023.

Directors' responsibilities for the financial statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards.

As disclosed in Note 2 to the financial statements and in the section headed "Details of the Modifications and their actual or potential impact on the Company's financial position" in the Management Discussion and Analysis section of this annual report, certain conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and certain adjustments will have to be made to the Group's financial statements in the event that the Group is unable to continue as a going concern. The effect of these adjustments has not been reflected in the consolidated financial statements contained in this annual report. Considering the successful and continued implementation of the measures set out in the section headed 'Management's view and position on the disclaimer and action plan to address the disclaimer' in the Management Discussion and Analysis section of this annual report, the Directors are of the opinion that the Group will have sufficient working capital and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

The audit committee of the Company had critically reviewed the basis for the disclaimer. The audit committee had also discussed with the auditor the financial position of the Group, the measures taken and to be taken by the Company, and considered the auditor's rationale and understood their consideration in arriving to the disclaimer. The audit committee agreed with the management of the Group that the Group is able to continue as a going concern. Accordingly, the consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Articles of Association of the Company (the "**Memorandum and Articles**") have been amended and restated with effect from the Listing Date. Save for the aforesaid disclosed, during the Year, no change has been made to the Memorandum and Articles.

ZHONGHUI

TO THE SHAREHOLDERS OF WENYE GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Wenye Group Holdings Limited and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 112, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Material uncertainty related to going concern *(continued)*

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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 3 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
REVENUE	*8*	**81,343**	378,119
Cost of sales		**(74,229)**	(354,459)
Gross profit		**7,114**	23,660
Other income	*9*	**1,966**	3,246
Other losses, net	*9*	**(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	*12*	**(27,335)**	(166,137)
Impairment losses of non-current assets	*12*	**(2,222)**	(9,034)
Finance costs, net	*10*	**(11,268)**	(5,629)
LOSS BEFORE TAX		**(63,524)**	(193,417)
Income tax expense	*11*	**—**	(172)
LOSS FOR THE YEAR	*12*	**(63,524)**	(193,589)
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**4**	(4)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**4**	(4)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(63,520)**	(193,593)
Loss for the year attributable to:			
Owners of the Company		**(63,469)**	(193,360)
Non-controlling interests		**(55)**	(229)
		(63,524)	(193,589)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(63,465)**	(193,364)
Non-controlling interests		**(55)**	(229)
		(63,520)	(193,593)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (RMB)	*15*	**(0.11)**	(0.33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**7,615**	7,804
Right-of-use assets	*17*	**—**	—
Investment properties	*18*	**—**	2,051
Intangible assets	*19*	**—**	—
Trade and other receivables	*22*	**399**	5,084
		8,014	14,939
CURRENT ASSETS			
Trade and other receivables	*22*	**122,694**	160,327
Contract assets	*23*	**86,580**	94,394
Restricted cash	*24*	**22,287**	30,976
Bank and cash balances	*25*	**177**	344
		231,738	286,041
CURRENT LIABILITIES			
Trade and other payables	*26*	**818,401**	837,046
Contract liabilities	*23*	**63,601**	52,209
Bank borrowings	*27*	**28,774**	36,222
Other borrowings	*28*	**71,832**	88,072
Lease liabilities	*29*	**1,915**	1,683
Amounts due to related parties	*35*	**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)
NON-CURRENT LIABILITIES			
Other borrowings	*28*	**26,817**	10,299
Lease liabilities	*29*	**5,477**	7,895
		32,294	18,194
NET LIABILITIES		**(834,999)**	(771,479)

	Notes	2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Share capital	*30*	**51**	51
Reserves	*31*	**(836,766)**	(773,301)
Equity attributable to owners of the Company		**(836,715)**	(773,250)
Non-controlling interests		**1,716**	1,771
TOTAL EQUITY		**(834,999)**	(771,479)

The consolidated financial statements on pages 51 to 112 were approved and authorised for issue by the board of directors on 3 April 2024 and are signed on its behalf by:

Approved by:

Mr. Fan Shaozhou	**Mr. Kong Guojing**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserves**	**Translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	51	130,425	142,570	36,552	(2)	(889,482)	(579,886)	–	(579,886)
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	2,000	2,000
Loss for the year	–	–	–	–	–	(193,360)	(193,360)	(229)	(193,589)
Other comprehensive loss for the year	–	–	–	–	(4)	–	(4)	–	(4)
Total comprehensive loss for the year	–	–	–	–	(4)	(193,360)	(193,364)	(229)	(193,593)
At 31 December 2022	51	130,425	142,570	36,552	(6)	(1,082,842)	(773,250)	1,771	(771,479)
At 1 January 2023	51	130,425	142,570	36,552	(6)	(1,082,842)	(773,250)	1,771	(771,479)
Loss for the year	–	–	–	–	–	(63,469)	(63,469)	(55)	(63,524)
Other comprehensive income for the year	–	–	–	–	4	–	4	–	4
Total comprehensive loss for the year	–	–	–	–	4	(63,469)	(63,465)	(55)	(63,520)
At 31 December 2023	51	130,425	142,570	36,552	(2)	(1,146,311)	(836,715)	1,716	(834,999)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(63,524)**	(193,417)
Adjustments for:		
Depreciation of property, plant and equipment	**189**	2,341
Depreciation of investment properties	**19**	77
Depreciation of right-of-use assets	**—**	3,722
Finance income	**(4,400)**	(6,678)
Finance costs	**15,668**	12,307
Adjust rental payments	**(650)**	—
Gain on early termination of a lease contract	**—**	(1,032)
Gain on disposal of an investment property	**(1,953)**	—
Impairment of property, plant and equipment	**2,222**	98
Impairment of right-of-use assets	**—**	8,936
Net impairment losses on financial assets and contract assets	**27,335**	166,137
Gain on disposal of a subsidiary	**—**	(1,164)
Penalty of lawsuits	**4,469**	3,679
Operating cash flows before movements in working capital	**(20,625)**	(4,994)
Change in contract assets	**(17,295)**	60,689
Change in trade and other receivables	**50,221**	(27,169)
Change in restricted cash	**8,689**	35,635
Change in trade and other payables	**(47,471)**	(37,146)
Change in contract liabilities	**11,391**	(4,863)
Cash (used in)/generated from operations	**(15,090)**	22,152
Income tax paid	**—**	(489)
Net cash flows (used in)/generated from operating activities	**(15,090)**	21,663

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**–**	(567)
Proceed from disposal of a subsidiary	**–**	(1,290)
Finance income received	**58**	299
Net cash flows generated from/(used in) investing activities	**58**	(1,558)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**2,587**	46,890
Repayments of bank and other borrowings	**(4,314)**	(81,415)
Payment for principal of lease liabilities	**(1,536)**	(3,550)
Payment for interest of lease liabilities	**(549)**	(691)
Finance cost paid	**(224)**	(1,848)
Advance from/(repayment to) a related party	**18,901**	(3,832)
Capital contribution by non-controlling interest	**–**	2,000
Net cash flows generated from/(used in) financing activities	**14,865**	(42,446)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(167)**	(22,341)
Cash and cash equivalents at beginning of year	**344**	22,689
Effect of foreign exchange rate changes	**–**	(4)
Cash and cash equivalents at end of year	**177**	344
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**177**	344

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 ultimate controlling shareholder is Mr. Fan Shaozhou (the "**Controlling Shareholder**"), who has been controlling the group companies since their incorporation or establishment.

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 multiple uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern.

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.

4. 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. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealized profits are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognized in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognized in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the previously held equity interest were disposed of.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Business combination and goodwill *(continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognized in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognized at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognized in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognized in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealized profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognized in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognized in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognized in the translation reserve. When a foreign operation is sold, such exchange differences are recognized in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Land and buildings	50 years
Leasehold improvements	Shorter of 12 years or the lease term
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life. The estimated useful lives are as follows:

Owned properties	48 years
Leased properties	Lease term of 9 years

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives are as follows:

Land and buildings	3 to 12 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

(i) *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) *Finance leases*

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee (the "**sublease lessor**") to a third party, and the lease (the "**head lease**") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(i) If the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(ii) Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets represent computer software licenses and patents that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs incurred to acquire and bring specific computer software licenses to working condition are capitalised.

Amortisation of intangible assets with finite useful lives is charged to the consolidated statements of comprehensive income on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	5 years
Patents	5 years

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial assets

Financial assets are recognized and derecognized on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognized at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets of the Group are classified under the following category:

— Financial assets at amortized cost

— Investments at fair value through profit or loss.

(i) Financial assets at amortized cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortized cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Loss allowances for expected credit losses

The Group recognizes loss allowances for expected credit losses, on financial assets at amortized cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognized in profit or loss as an impairment gain or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts liabilities

Financial guarantee contract liabilities are initially recognised at fair value and subsequently measured at the higher of:

— the loss allowance; and

— the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of the guarantee contracts.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognized by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognized using the effective interest method.

Rental income is recognized on a straight-line basis over the lease term.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

— the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

— the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Employee benefits

(i) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

(iii) Housing funds, medical insurances and other social insurances

Employees of the Group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed of as incurred.

(iv) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within “Other income” in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are offset against the costs of the related assets.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognized in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except deferred tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognized in the consolidated financial statements apart from those involving estimations, which are dealt with below.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the certain measures to improve the Group's liquidity and financial position. Details are explained in Note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Revenue recognition

The Group recognises the revenue according to the percentage of completion of the individual contract of construction. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of each reporting period compared with the estimated budgeted cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses and regularly reviews the progress of the contracts.

In addition, when determining the transaction price, the Group consider factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose. The Group does not consider the arrangement with customers have significant financing component. The Group has, therefore, recognised revenue on progress confirmation over the period during which the services are rendered and transferred to customers.

(b) Current and deferred income tax

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to temporary differences are recognised when management considers it is probable that future taxable profits will be available against the temporary differences can be utilised. The Group's management reassesses its expectation at the end of each reporting period.

5. KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) Impairment of trade and retention receivables and contract assets

The Group's management determines the provision for impairment of trade and retention receivables and contract assets on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade and retention receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2023, if the interest rates on bank deposits and borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax loss for the year would be RMB32,000 (2022: RMB273,000) higher/lower.

(c) Credit risk

The Group is exposed to credit risk in relation to its cash at bank, restricted cash, trade and retention receivables, contract assets, bills receivable, deposits and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group expects that there is no significant credit risk associated with cash at bank and restricted cash since they are deposited with credit worthy financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Bills receivable mainly represent bank acceptance bills. The maturity period of these bills is usually from 6 months to 1 year. These bills are mainly issued by state-owned enterprises, reputable financial institutions or large private corporations in the PRC. The expected credit loss is close to zero.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables, retention receivables and contract assets

The Group applies the simplified approach to provide expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and retention receivables and contract assets.

Contract assets are related to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same types of contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognised impairment losses.

To measure the expected credit losses of trade receivables, retention receivables and contract assets, they have been grouped based on shared credit risk characteristics. The expected credit losses for invoiced trade receivables and unbilled revenue balances were determined based on the ageing by due date and project completion date adjusted by the estimated invoicing procedures time, respectively.

The expected loss rates are based on the payment profiles of sales over a period of 3 to 5 years before 31 December 2023 and 2022 and the corresponding historical credit losses experienced within this period. The loss allowance also incorporates forward looking information.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(i) Trade receivables, retention receivables and contract assets *(continued)*

The information about the exposure to credit risk and ECL for trade receivables, retention receivables and contract assets as at 31 December 2023 and 2022 are summarised as follows:

Trade receivables

As at 31 December 2023	Expected loss	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Total loss allowance provision RMB'000
Current	0%	–	–	–
Within 6 months	22%	12,027	(2,680)	(2,680)
6 months to 1 year	58%	59,301	(34,582)	(34,582)
1 to 2 years	88%	128,676	(113,065)	(113,065)
2 to 3 years	87%	107,174	(92,841)	(92,841)
Over 3 years	98%	382,091	(376,052)	(376,052)
		689,269	(619,220)	(619,220)

As at 31 December 2022		RMB'000	RMB'000	RMB'000
Current	60%	40,055	(24,144)	(24,144)
Within 6 months	90%	60,398	(54,274)	(54,274)
6 months to 1 year	78%	77,116	(59,860)	(59,860)
1 to 2 years	87%	114,548	(99,089)	(99,089)
2 to 3 years	72%	65,105	(46,658)	(46,658)
Over 3 years	98%	335,660	(329,998)	(329,998)
		692,882	(614,023)	(614,023)

Retention receivables

As at 31 December	Expected loss	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Total loss allowance provision RMB'000
2023	**98%**	**217,978**	**(212,877)**	**(212,877)**
2022	96%	224,954	(216,076)	(216,076)

Contract assets

As at 31 December	Expected loss	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Total loss allowance provision RMB'000
2023	**89%**	**786,811**	**(700,231)**	**(700,231)**
2022	87%	771,848	(675,123)	(675,123)

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(i) Trade receivables, retention receivables and contract assets *(continued)*

Reconciliation of the loss allowance for trade receivables, retention receivables and contract assets as at 31 December 2023 and 2022 are as follows:

	2023			2022		
	Trade receivables RMB'000 *(Note 22)*	**Retention receivables RMB'000 *(Note 22)***	**Contract assets RMB'000 *(Note 23)***	Trade receivables RMB'000 *(Note 22)*	Retention receivables RMB'000 *(Note 22)*	Contract assets RMB'000 *(Note 23)*
At 1 January	**614,023**	**216,076**	**675,123**	551,017	178,924	610,031
Impairment loss/(Reversal of impairment loss)	**5,197**	**(3,199)**	**25,108**	63,006	37,152	65,092
At 31 December	**619,220**	**212,877**	**700,231**	614,023	216,076	675,123

Trade receivables, retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited into profit or loss.

(ii) Deposits and other receivables

As at 31 December 2023 and 2022, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year ended 31 December 2023, except for the following set out below.

Reconciliation of the loss allowance for deposits:

	2023 RMB'000	2022 RMB'000
At 1 January	**8,992**	8,105
Impairment loss	**229**	887
At 31 December	**9,221**	8,992

As at 31 December 2023 and 2022, the maximum exposure to credit risk of these financial assets were as follows:

	2023 RMB'000	2022 RMB'000
Deposits and other receivables	**26,432**	33,938

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

31 December 2023	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	818,401	–	–	–	818,401	818,401
Amounts due to related parties	19,169	–	–	–	19,169	19,169
Bank borrowings	31,389	–	–	–	31,389	28,774
Other borrowings	79,509	12,986	20,930	–	113,425	98,649
Lease liabilities	2,350	2,467	3,469	–	8,286	7,392
	950,818	15,453	24,399	–	990,670	972,385

31 December 2022	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	837,046	–	–	–	837,046	837,046
Amounts due to related parties	268	–	–	–	268	268
Bank borrowings	38,586	–	–	–	38,586	36,222
Other borrowings	96,076	–	16,026	–	112,102	98,371
Lease liabilities	2,272	2,572	6,253	–	11,097	9,578
	974,248	2,572	22,279	–	999,099	981,485

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets:		
Financial assets at amortized cost		
— Trade and other receivables	**101,582**	121,675
— Restricted cash	**22,287**	30,976
— Bank and cash balances	**177**	344
	124,046	152,995
Financial liabilities:		
Financial liabilities at amortized cost		
— Trade and other payables	**818,401**	837,046
— Amounts due to related parties	**19,169**	268
— Bank borrowings	**28,774**	36,222
— Other borrowings	**98,649**	98,371
— Lease liabilities	**7,392**	9,578
	972,385	981,485

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings and lease liabilities (including "current and non-current bank and other borrowings and lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position.

6. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Capital risk management *(continued)*

The Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023	2022
	RMB'000	RMB'000
Total bank borrowings *(Note 27)*	**28,774**	36,222
Total other borrowings *(Note 28)*	**98,649**	98,371
Lease liabilities *(Note 29)*	**7,392**	9,578
	134,815	144,171
Less: Bank and cash balances *(Note 25)*	**(177)**	(344)
Net debt	**134,638**	143,827
Total equity	**(834,999)**	(771,479)
Gearing ratio	**-16.1%**	-18.6%

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operation decisionmaker ("**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 mainly 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 statement.

7. SEGMENT INFORMATION *(continued)*

Revenue from major customers:

	2023 RMB'000	2022 RMB'000
Customer A	**10,470**	N/A*
Customer B	**N/A***	53,488

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

8. REVENUE

	2023 RMB'000	2022 RMB'000
Revenue from construction services	**78,724**	363,506
Design service income	**2,619**	14,613
	81,343	378,119

Disaggregation of revenue from contracts with customers:

	2023 RMB'000	2022 RMB'000
Type of goods or services		
Construction services	**78,724**	363,506
Design services	**2,619**	14,613
Total	**81,343**	378,119
Timing of revenue recognition		
Over time	**81,343**	378,119
Total	**81,343**	378,119

8. REVENUE *(continued)*

Revenue from construction services

The Group engages in construction of indoor and outdoor decoration and fitment for office buildings, public facilities, high-end star hotels, traffic nubs, commercial properties, residential properties and curtain wall. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (input method for measuring progress). Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the progress towards complete satisfaction of the performance obligation.

The payment terms differed for different customers due to the variety of projects. Most of the payment is payable according to the stage of construction with credit term of up to 60 days, while 10% to 20% of payments will be payable upon the completion of construction, such portion of payment is recognised as contract assets before the completion of the projects and transfer to trade receivables when the Group has the right to bill the customers which is usually upon completion of construction; 5% to 10% of the contract price are recognised as retention money receivables, which would be paid after the warranty period expires. The Group does not intend to give a financing to customers and the Group make efforts to collect the receivables and timely monitor the credit risk.

The Group accounts for a modification if the customers to a contract approve a change in the scope and/or the price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customers to the contract. If the customers have approved a change in scope, but have not yet determined the corresponding change in price, the Group estimates the change to the contract price as a variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

The Group records contract liability for non-refundable advance payment from customer before rendering of services since there is still performance obligation to complete. The contract liabilities are recognised as revenue over the period during which the relevant services are rendered to customers.

Design service income

The Group provides customised interior design and curtain wall design services. Design service income is recognised over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The measure of progress is determined based on the proportion of specific costs incurred to-date to the estimated total costs for each service (input method for measuring progress).

9. OTHER INCOME AND OTHER LOSSES, NET

	Notes	2023 RMB'000	2022 RMB'000
Other income:			
Government grants	*(i)*	**13**	2,204
Rental income from investment properties		**—**	739
Gain on disposal of investment properties	*18*	**1,953**	—
Others		**—**	303
		1,966	3,246
Other losses, net:			
Penalty of lawsuits	*(ii)*	**(4,469)**	(3,679)
Gain on termination of a lease contract		**—**	1,032
Gain on deregistration of a subsidiary		**—**	310
Gain on disposal of a subsidiary		**—**	1,164
Others		**(39)**	—
		(4,508)	(1,173)

Note:

(i) Government grants are under no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

(ii) The Group has provided interest on penalty of lawsuits of approximately RMB4,469,000 (2022: RMB3,679,000) for the year ended 31 December 2023 since the directors of the Company are of the opinion that it is probable that an outflow of resources embodying economic benefits would be required to settle the lawsuits.

10. FINANCE COSTS, NET

	2023 RMB'000	2022 RMB'000
Finance income:		
Interest income	**58**	299
Imputed interest income on other borrowings	**4,342**	6,379
	4,400	6,678
Finance costs:		
Interest expense on bank and other borrowings	**(12,158)**	(10,110)
Interest expense on lease liabilities	**(549)**	(691)
Imputed interest expense on other borrowings	**(2,961)**	(1,506)
	(15,668)	(12,307)
Finance costs, net	**(11,268)**	(5,629)

11. INCOME TAX EXPENSE

	2023 **RMB'000**	2022 RMB'000
Current income tax	**–**	172
Deferred income tax *(Note 21)*	**–**	–
Income tax expense	**–**	172

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.

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the entities as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(63,524)**	(193,417)
Tax calculated at weighted average tax rate	**(10,481)**	(29,566)
Tax effect of income that is not taxable	**(944)**	(1,921)
Tax effect of expenses that are not deductible	**4,433**	26,825
Tax effect of tax losses not recognised	**6,992**	4,834
	–	172

12. LOSS FOR THE YEAR

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Auditors' remuneration		**1,680**	1,331
Cost of sales		**74,229**	354,459
Depreciation of property, plant and equipment	*16*	**189**	2,341
Depreciation of investment properties	*18*	**19**	77
Depreciation of right-of-use assets	*17*	**—**	3,722
Impairment losses of financial assets and contract assets:			
Impairment of trade receivables, net	*6(c)(i)*	**5,197**	63,006
Impairment of contract assets	*6(c)(i)*	**25,108**	65,092
(Reversal of)/Impairment of retention receivables	*6(c)(i)*	**(3,199)**	37,152
Impairment of deposits	*6(c)(ii)*	**229**	887
		27,335	166,137
Impairment losses of non-current assets			
Impairment of property, plant and equipment	*16*	**2,222**	98
Impairment of right-of-use assets	*17*	**—**	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

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 **RMB'000**	2022 RMB'000
Fees	**238**	266
Other emoluments:		
Salaries, allowances and benefits in kind	**1,131**	1,530
Retirement benefit scheme contribution	**46**	285
	1,177	1,815
	1,415	2,081

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) Directors' and Chief Executive's Emoluments

		For the year ended 31 December 2023				
	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors:						
Mr. Fan Shaozhou		–	259	–	10	269
Mr. Peng Weizhou	*(i)*	–	259	–	10	269
Mr. Kong Guojing	*(x)*	–	90	–	–	90
Mr. Wan Neng	*(viii)*	–	50	–	2	52
		–	658	–	22	680
Non-executive directors:						
Mr. Chen Li		–	90	–	14	104
Mr. Shen Peng	*(v)*	–	80	–	–	80
Mr. Li Hongxing	*(vi)*	–	273	–	9	282
Mr. Deng Guanghui	*(vii)*	–	30	–	1	31
		–	473	–	24	497
Independent non-executive directors:						
Mr. Ma Kin Ling	*(xi)*	75	–	–	–	75
Mr. Huang Wei	*(xii)*	21	–	–	–	21
Ms. Lau Chui Ping Soey	*(xii)*	25	–	–	–	25
Mr. Gao Rongshun	*(ii)*	47	–	–	–	47
Mr. Yi Xiaopei	*(iii)*	47	–	–	–	47
Mr. Liu Xiaoyi	*(ix)*	23	–	–	–	23
		238	–	–	–	238
		238	1,131	–	46	1,415

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) Directors' and Chief Executive's Emoluments *(continued)*

		For the year ended 31 December 2022				
	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors:						
Mr. Fan Shaozhou		–	472	–	80	552
Mr. Peng Weizhou	*(i)*	–	283	–	40	323
Mr. Kong Guojing	*(x)*	–	–	–	–	–
Mr. Wan Neng	*(viii)*	–	426	–	76	502
		–	1,181	–	196	1,377
Non-executive directors:						
Mr. Chen Li		–	90	–	14	104
Mr. Deng Guanghui	*(vii)*	–	259	–	75	334
		–	349	–	89	438
Independent non-executive directors:						
Mr. Ma Kin Ling	*(xi)*	–	–	–	–	–
Mr. Huang Wei	*(xii)*	–	–	–	–	–
Ms. Lau Chui Ping Soey	*(xii)*	–	–	–	–	–
Mr. Gao Rongshun	*(ii)*	80	–	–	–	80
Mr. Yi Xiaopei	*(iii)*	80	–	–	–	80
Ms. Huang Guiqing	*(iv)*	13	–	–	–	13
Mr. Liu Ziping	*(iv)*	13	–	–	–	13
Mr. Liu Xiaoyi	*(ix)*	80	–	–	–	80
		266	–	–	–	266
		266	1,530	–	285	2,081

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(a) Directors' and Chief Executive's Emoluments *(continued)*

Notes:

(i) Resigned on 20 November 2023.

(ii) Appointed on 14 June 2022 and resigned on 20 July 2023.

(iii) Appointed on 14 June 2022 and resigned on 7 August 2023.

(iv) Resigned on 14 June 2022.

(v) Appointed on 18 January 2023.

(vi) Appointed on 13 February 2023.

(vii) Resigned on 13 February 2023.

(viii) Resigned on 14 March 2023.

(ix) Resigned on 19 April 2023.

(x) Appointed on 6 June 2023.

(xi) Appointed on 22 July 2023.

(xii) Appointed on 13 October 2023.

The remuneration shown above represented remuneration received from the Group by these directors in their capacity as employees to the Group and no directors waived any emolument during the years ended 31 December 2023 and 2022.

No director fees were paid to these directors in their capacity as directors of the Company or the Group and no emoluments were paid by the Company or the Group to the directors as an inducement to join the Company or the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

(b) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended 31 December 2023 (2022: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2023, no consideration was provided to or receivable by third parties for making available directors' services (2022: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2022: Nil).

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(continued)*

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the year end or at any time during the year (2022: Nil).

(f) Five highest paid individual emoluments

The five highest paid individuals of the Group included three (2022: three) directors, details of whose remuneration are set out above. The emoluments of the remaining two (2022: two) highest paid employees are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, wages and bonuses	**471**	702
Housing funds, medical insurances and other social insurances	**—**	35
Retirement benefit scheme contribution	**—**	—
	471	737

Emoluments of these employees were within the following bands:

	Number of employees	
	2023	2022
Emolument band:		
HK$Nil to HK$1,000,000	**2**	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year (2022: Nil).

14. DIVIDENDS

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

15. LOSS PER SHARE

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).

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2022	9,032	4,155	1,054	3,088	17,329
Additions	–	549	18	–	567
Written-off	–	(3,143)	–	–	(3,143)
At 31 December 2022 and 1 January 2023	**9,032**	**1,561**	**1,072**	**3,088**	**14,753**
Additions	**–**	**2,222**	**–**	**–**	**2,222**
Written-off	**–**	**–**	**–**	**(1,314)**	**(1,314)**
At 31 December 2023	**9,032**	**3,783**	**1,072**	**1,774**	**15,661**
Accumulated depreciation and impairment					
At 1 January 2022	1,048	2,463	1,054	3,088	7,653
Charge for the year *(Note 12)*	180	2,159	2	–	2,341
Written-off	–	(3,143)	–	–	(3,143)
Impairment loss	–	82	16	–	98
At 31 December 2022 and 1 January 2023	**1,228**	**1,561**	**1,072**	**3,088**	**6,949**
Charge for the year *(Note 12)*	**189**	**–**	**–**	**–**	**189**
Written-off	**–**	**–**	**–**	**(1,314)**	**(1,314)**
Impairment loss	**–**	**2,222**	**–**	**–**	**2,222**
At 31 December 2023	**1,417**	**3,783**	**1,072**	**1,774**	**8,046**
Carrying amount					
At 31 December 2023	**7,615**	**–**	**–**	**–**	**7,615**
At 31 December 2022	7,804	–	–	–	7,804

As at 31 December 2023, the net book value of land and buildings which have not obtained the housing title certificates amounted to RMB3,039,000 (2022: RMB3,120,000).

As at 31 December 2023, with the repayment of the Group's bank borrowings, the mortgage on land and buildings with net book value amounted to RMB4,576,000 (2022: RMB4,684,000) was released.

The Group carried out reviews of the recoverable amount of its plant and equipment in 2023 as a result of the deterioration of the markets of the Group's products and the performance of the Group. The reviews led to the recognition of an impairment loss of RMB2,222,000 (2022: RMB98,000), that has been recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount of the plant and equipment has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15% (2022: 15%).

17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2023 **RMB'000**	2022 RMB'000
At 31 December:		
Right-of-use assets		
— Properties	**—**	—
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	**2,350**	2,272
— Between 1 and 2 years	**2,467**	2,572
— Between 2 and 5 years	**3,469**	6,253
	8,286	11,097
Year ended 31 December:		
Depreciation charge of right-of-use assets		
— Properties *(Note 12)*	**—**	3,722
Lease interests	**549**	691
Expenses related to short-term leases	**85**	141
Total cash outflow for leases	**2,170**	4,381
Additions to right-of-use assets	**—**	10,513

Note:

On 20 April 2022, the Group entered into a lease agreement with an individual third party ("**the landlord**") for the leasing of office premises in the PRC with a lease term of 5 years and certain of the office premises were sub-leased by the Group. Pursuant to the termination of lease agreement entered between the Group and the landlord on 20 April 2022, the landlord agreed to waive the rental payments for the period from 20 April 2022 to 19 June 2022 and from 20 April 2023 to 19 May 2023.

The Group carried out reviews of the recoverable amount of its leases and right-of-use assets in 2023 and 2022 as a result of the deterioration of the markets of the Group's products and the performance of the Group. The reviews led to the recognition of an impairment loss of RMBNil (2022: RMB8,936,000), that has been recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount of the lease and right-of-use assets has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15% (2022: 15%).

18. INVESTMENT PROPERTIES

	Owned properties RMB'000	Total RMB'000
Cost		
As at 1 January 2022, 31 December 2022 and 1 January 2023	**3,675**	**3,675**
Disposal	**(3,675)**	**(3,675)**
As at 31 December 2023	**–**	**–**
Accumulated depreciation		
At 1 January 2022	1,547	1,547
Charge for the year *(Note 12)*	77	77
As at 31 December 2022 and 1 January 2023	**1,624**	**1,624**
Charge for the year *(Note 12)*	**19**	**19**
Disposal	**(1,643)**	**(1,643)**
As at 31 December 2023	**–**	**–**
Carrying amount		
At 31 December 2023	**–**	**–**
At 31 December 2022	2,051	2,051

Rental income recognised during the years ended 31 December 2023 and 2022 are as below:

	2023 RMB'000	2022 RMB'000
Rental income from investment properties	**–**	697
Rental income from subleasing	**–**	42
	–	739

18. INVESTMENT PROPERTIES *(continued)*

The Group leases out its investment properties under operating leases. The average lease term is 2 to 3 years. All leases are on fixed rental basis and do not include variable lease payments.

As at 31 December 2022, the net book value of investment properties which have not obtained the housing title certificates amounted to RMB1,105,000. The fair values of the Group's owned investment properties were RMB4,050,000 as determined by an independent professional valuer.

As at 31 December 2022, the Group's owned investment properties with net book value amounted to RMB2,051,000 were pledged as collateral for the Group's bank borrowings. During the year, with the repayment of the Group's bank borrowings, the mortgage on investment property was released.

During the year, the Group disposed of the investment properties at a consideration of approximately RMB4,000,000 and recorded a gain of approximately RMB1,953,000 (net of tax).

19. INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
Cost			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**2,479**	**385**	**2,864**
Accumulated amortisation and impairment			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**2,479**	**385**	**2,864**
Carrying amount			
At 31 December 2023	**–**	**–**	**–**
At 31 December 2022	–	–	–

20. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation or registration	Registered/paid up share capital	Percentage of equity interests attributable to the Company		Principal activities
			2023	2022	
Shenzhen Wenye Construction Group Co., Ltd.* ("**WFOE**") 深圳市文業建築工程集團有限責任公司	PRC	RMB132,800,000/ RMB98,854,400 (2022: same) *(Notes (i))*	**100%**	100%	Investment holding
Shenzhen Wenye Industrial Co., Ltd.* ("**Wenye Industrial**") 深圳文業實業有限公司 ("**文業實業**")	PRC	RMB129,800,000/ RMB99,374,400 (2022: same) *(Notes (ii))*	**100%**	100%	Investment holding
Shenzhen Wenye Decoration Design Engineering Co., Ltd.* ("**Wenye Decoration**") 深圳文業裝飾設計工程有限公司 ("**文業裝飾**")	PRC	RMB263,800,000/ RMB233,374,400 (2022: same *(Note (iii))*	**100%**	100%	Provision of interior and exterior building decoration and design services
Shenzhen Wenye Decoration Design Institute Co., Ltd.* ("**Wenye Design Institute**") 深圳市文業裝飾設計院有限責任公司 ("**文業設計院**")	PRC	RMB12,000,000/ RMB2,000,000 (2022: same) *(Note (iv))*	**83%**	83%	Provision of interior and exterior building decoration and design services

* The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as these companies do not register any official English names.

20. SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Notes:

(i) WFOE was registered as wholly-foreign-owned enterprises under the PRC law on 25 December 2018. As at 31 December 2023, the registered capital of WFOE is RMB132,800,000 of RMB95,854,400 has been paid by the Company.

(ii) Wenye Industrial was registered as domestic enterprises under the PRC law on 12 November 2018. As at 31 December 2023, the registered capital of Wenye Industrial is RMB129,800,000 of RMB99,374,400 has been paid by the Company.

(iii) Wenye Decoration was registered as domestic enterprises under the PRC law on 23 January 1989. As at 31 December 2023, the registered capital of Wenye Decoration is RMB263,800,000 of RMB233,374,400 has been paid by the Company.

(iv) Wenye Design Institute was registered as domestic enterprises under the PRC law on 24 March 2021. As at 31 December 2023, the registered capital of Wenye Design Institute is RMB12,000,000 of RMB2,000,000 has been paid by the Company.

The directors are of the opinion that a complete list of the subsidiaries of the company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

The Group had no subsidiary which has material non-controlling interests for the years ended 31 December 2023 and 2022, accordingly financial information regarding the non-controlling interests is not presented in the consolidated financial statements.

21. DEFERRED TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB25,433,000 (2022: RMB18,441,000) in respect of losses amounting to RMB151,156,000 (2022: RMB122,938,000) at 31 December 2023 that can be carried forward against future taxable income for 5 years.

22. TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables	*(i)*	**689,269**	692,882
Provision for loss allowance	*6(c)(i)*	**(619,220)**	(614,023)
Trade receivables, net		**70,049**	78,859
Retention receivables	*(ii)*	**217,978**	224,954
Provision for loss allowance	*6(c)(i)*	**(212,877)**	(216,076)
Retention receivables, net		**5,101**	8,878
Deposits	*(iii)*	**10,046**	25,113
Provision for loss allowance	*6(c)(ii)*	**(9,221)**	(8,992)
Deposits, net		**825**	16,121
Prepayments		**21,511**	43,736
Advances to staff		**1,373**	1,150
Other receivables	*(iv)*	**24,234**	16,667
Total trade and other receivables		**123,093**	165,411
Analysed as:			
Current assets		**122,694**	160,327
Non-current assets		**399**	5,084
		123,093	165,411

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

22. TRADE AND OTHER RECEIVABLES *(continued)*

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 **RMB'000**	2022 RMB'000
Unbilled revenue *(Note (a))*	**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
	689,269	692,882

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, certain trade receivables were pledged as collateral for the Group's certain bank borrowings (Note 27).

(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 **RMB'000**	2022 RMB'000
Within 1 year	**3,158**	23,257
1 to 2 years	**19,552**	201,697
Over 2 years	**195,268**	—
	217,978	224,954

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.

23. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Contract assets — construction services	**782,614**	765,233	829,182
Contract assets — design services	**4,197**	4,284	1,024
	786,811	769,517	830,206
Less: Provision for loss allowance *(Note 6(c)(i))*	**(700,231)**	(675,123)	(610,031)
Total contract assets	**86,580**	94,394	220,175
Contract liabilities — construction services	**55,099**	43,791	44,116
Contract liabilities — design services	**8,502**	8,418	12,956
Total contract liabilities	**63,601**	52,209	57,072
Contract receivables (include in trade receivables)	**70,049**	78,859	188,913
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**	—	
	692,271	773,614	

Year ended 31 December	**2023 RMB'000**	2022 RMB'000
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
	26,087	33,427

23. CONTRACT ASSETS AND LIABILITIES *(continued)*

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.

24. RESTRICTED CASH

As at 31 December 2023 and 2022, restricted cash comprises (i) deposits held at banks as collateral for the issuance of the bills payable, and (ii) deposits held at banks under litigation claims.

As at 31 December 2023 and 2022, the carrying amounts of restricted cash approximate their fair values and denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**22,232**	30,922
HK$	**55**	54
	22,287	30,976

The Group's restricted cash balances 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.

25. BANK AND CASH BALANCES

	2023 RMB'000	2022 RMB'000
Cash at bank	**177**	344
Denominated in:		
RMB	**177**	244
HK$	**–**	100
	177	344

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.

26. TRADE AND OTHER PAYABLES

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

26. TRADE AND OTHER PAYABLES *(continued)*

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

	2023 **RMB'000**	2022 RMB'000
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
	686,149	726,577

27. BANK BORROWINGS

	2023 **RMB'000**	2022 RMB'000
Bank borrowings	**28,774**	36,222
The borrowings are repayable as follows:		
On demand or within one year	**28,774**	36,222
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(28,774)**	(36,222)
Amount due for settlement after 12 months	**–**	–

The average interest rates at 31 December were as follows:

	2023	2022
Bank borrowings	**5.5%**	6.2%

The carrying amounts of the Group's bank borrowings approximate their fair value and are denominated in RMB.

As at 31 December 2023, the Group had aggregate banking facilities of RMB28,774,000 (2022: RMB36,222,000). The Group's banking facilities are subject to annual review and are secured and guaranteed by:

(i) The Group's certain trade receivables (Note 22);

(ii) Limited personal guarantee executed by the shareholders, Mr. Fan Shaozhou, Mr. Chen Li, Mr. Deng Guanghui, Mr. Wan Neng, Mr. Peng Weizhou and related parties, Ms. Ye Jinhua of the Group (2022: Same) (Note: 35(v)).

28. OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Other borrowings	**98,649**	98,371
The borrowings are repayable as follows:		
On demand or within one year	**71,832**	88,072
In the second year	**10,645**	—
In the third to fifth years, inclusive	**16,172**	10,299
	98,649	98,371
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(71,832)**	(88,072)
Amount due for settlement after 12 months	**26,817**	10,299

Notes:

(i) As at November 2018, the Group had a financing arrangement with a supply chain finance company, an independent third party in the PRC, which acts as an agent to finance certain procurement of raw materials and consumables. Under the arrangement, the Group bears the interest at a rate of 1.5% per month on the outstanding borrowing amounts of such other borrowings, which are unsecured and have a term of repayment of 60 days after the settlement of the relevant purchase (i.e. January 2019). As at 31 December 2023, this borrowing is overdue (2022: overdue), and the carrying amount of such other borrowing was approximately RMB554,000 (2022: RMB554,000).

(ii) On 27 May 2020 and 16 September 2020, the Group entered into two loan agreements with a financing company which granted loan facilities of RMB15,000,000 and RMB10,000,000, respectively. All loans bear interest at a rate of 15.4% per annum. The loan facilities are guaranteed by the shareholder, Mr. Fan Shaozhou. As at 31 December 2023, the carrying amounts of such loans were approximately RMB12,910,000 and RMB10,000,000 (2022: RMB12,910,000 and RMB10,000,000), respectively and were overdue (2022: overdue) by the Group due to a shortage of funds disclosed in Note 2.

(iii) On 19 November 2021, 30 December 2021 and 31 December 2021, the Group entered into four loan agreements with four independent third parties in the PRC which granted loan facilities of RMB2,500,000, RMB2,000,000, RMB35,000,000 and RMB2,800,000, respectively. The loans bear interest at a rate of 7.92% per annum. The loan facilities are unsecured and repayable in eighteen months from the drawdown date (i.e. May 2023, June 2023, May 2023 and June 2023). As at 31 December 2023, these loans were overdue (2022: not overdue) by the Group due to a shortage of funds disclosed in Note 2 and the carrying amount of such loan were RMB1,500,000, RMB2,000,000, RMB34,500,000 and RMB368,000 (2022: RMB1,500,000, RMB2,000,000, RMB35,000,000 and RMB368,000), respectively.

(iv) On 19 November 2021, the Group entered into a loan agreement with a financing company which granted loan facilities of RMB5,000,000. The loan bears interest at a rate of 7.92% per annum. The loan facility is unsecured and repayable in eighteen months from the drawdown date (i.e. May 2023). As at 31 December 2023, this loan has been settled (2022: outstanding of approximately RMB1,110,000).

28. OTHER BORROWINGS *(continued)*

Notes: (continued)

(v) On 12 August 2021, the Group entered into a loan agreement with an independent third party which was granted a loan facility of RMB1,247,000. The unsecured loans is interest-free and repayable in 48 months (i.e. August 2025). As at 31 December 2023, the carrying amount of such long-term loan was approximately RMB1,066,000 (2022: RMB978,000).

An imputed interest expense of approximately RMB112,000 (2022: RMB112,000) were recognised as "finance costs, net" (Note 10) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

(vi) On 11 March 2022, 1 April 2022, 22 September 2022, 11 October 2022 and 9 December 2022, the Group entered into five loan agreements with five independent third parties in the PRC which granted loan facilities of approximately RMB8,800,000, RMB5,000,000, RMB4,590,000, RMB15,000,000 and RMB500,000, respectively. The loans are interest-free, unsecured and repayable in thirty-six months (i.e. March 2025), thirty-six months (i.e. April 2025), thirty-four months (i.e. July 2025), six months (i.e. April 2023) and thirty-four months (i.e. October 2025), respectively. As at 31 December 2023, the carrying amount of such long-term loan were RMB3,828,000, RMB1,347,000, RMB3,971,000, RMBNil and RMB433,000 (2022: RMB3,737,000, RMB1,642,000, RMB3,554,000, RMB14,630,000 and RMB387,000), respectively.

An imputed interest income of approximately RMBNil (2022: RMB6,379,000) and an imputed interest expense of approximately RMB1,330,000 (2022: RMB1,394,000) were recognised as "finance costs, net" (Note 10) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

(vii) On 19 May 2022 and 31 May 2022, the Group entered into two loan agreements with two independent third parties in the PRC which granted loan facilities of RMB8,000,000 and RMB2,000,000, respectively. The loans bear interest at a rate of 10% and 7% per annum, respectively. The loans are unsecured and repayable in six months (i.e. November 2022) and 10 days (i.e. June 2022), respectively. As at 31 December 2023, the loans were overdue (2022: overdue) by the Group due to a shortage of funds disclosed in Note 2 and the carrying amount of such loans were RMB8,000,000 and RMB2,000,000 (2022: RMB8,000,000 and RMB2,000,000), respectively.

(viii) On 17 February 2023, 20 February 2023 and 28 March 2023, the Group entered into three loan agreements with three independent third parties in the PRC which granted loan facilities of RMB8,000,000, RMB9,500,000 and RMB3,430,000, respectively. These loans are interest free, unsecured and repayable in the early of 2026. As at 31 December 2023, the carrying amount of such long-term loan were approximately RMB6,199,000, RMB7,354,000 and RMB2,619,000, respectively.

An imputed interest income of approximately RMB4,342,000 and an imputed interest expense of approximately RMB1,519,000 were recognised as "finance costs, net" (Note 10) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

The carrying amounts of the Group's other borrowings approximate their fair value and are denominated in RMB.

29. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**2,350**	2,272	**1,915**	1,683
Between 1 and 2 years	**2,467**	2,572	**2,168**	2,109
Between 2 and 5 years	**3,469**	6,253	**3,309**	5,786
	8,286	11,097		
Less: Future finance charges	**(894)**	(1,519)		
Present value of lease liabilities	**7,392**	9,578	**7,392**	9,578
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,915)**	(1,683)
Amount due for settlement after 12 months			**5,477**	7,895

The Group leases office premises for operation. Property leases are typically made for fixed period of 3 to 12 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

30. SHARE CAPITAL

	Notes	Number of shares	Equivalent nominal value of shares RMB'000
Authorized:			
3,800,000,000 shares of HK$0.0001 each	*(i)*	3,800,000,000	327
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	*(ii)*	594,000,000	51

Notes:

(i) The Company was incorporated on 13 November 2018 with an initial authorised share capital of HK$380,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each. On the date of incorporation, 1 ordinary share of HK$0.0001 was allocated and issued by the Company.

(ii) Wenye Innovator Holdings Limited holds 59,983 shares of the Company under the RSU Scheme. The directors are of the view that such shares are with the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance. As at 31 December 2023 and up to the report date, no RSU has been granted by the Company pursuant to the RSU Scheme (2022: same).

31. RESERVES

(i) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(ii) Company

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	130,425	15,727	(149,668)	(3,516)
Loss for the year	–	–	(28,781)	(28,781)
At 31 December 2022 and 1 January 2023	**130,425**	**15,727**	**(178,449)**	**(32,297)**
Loss for the year	**–**	**–**	**(4,146)**	**(4,146)**
At 31 December 2023	**130,425**	**15,727**	**(182,595)**	**(36,443)**

31. RESERVES *(continued)*

(iii) Nature and purpose of reserves

(a) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Capital reserve

Capital reserve of the Company represented the difference between the net assets value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

(c) Statutory reserves

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(d) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the consolidated financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amount due to related parties RMB'000	Borrowings and interest paid RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	4,100	173,991	7,509	185,600
Change in cash flows	(3,832)	(36,373)	(4,241)	(44,446)
Non-cash changes:				
— Interest expenses	—	10,110	691	10,801
— Imputed interest expense on other borrowings	—	1,506	—	1,506
— Imputed interest income on other borrowings	—	(6,379)	—	(6,379)
— Additions	—	—	10,513	10,513
— Termination of a lease contract	—	—	(4,894)	(4,894)
— Transfer to other payables	—	(8,262)	—	(8,262)
At 31 December 2022 and 1 January 2023	**268**	**134,593**	**9,578**	**144,439**
Change in cash flows	**18,901**	**(1,951)**	**(2,085)**	**14,865**
Non-cash changes:				
— Interest expenses	**—**	**12,158**	**549**	**12,707**
— Imputed interest expense on other borrowings	**—**	**2,961**	**—**	**2,961**
— Imputed interest income on other borrowings	**—**	**(4,342)**	**—**	**(4,342)**
— Adjust rental payments	**—**	**—**	**(650)**	**(650)**
— Transfer to other payables	**—**	**(15,996)**	**—**	**(15,996)**
At 31 December 2023	**19,169**	**127,423**	**7,392**	**153,984**

(b) Major non-cash transaction

During the year, Mr. Li Hongxing ("**Mr. Li**"), a non-executive director of the Company, paid RMB4,000,000 on behalf of the Group to settle the Group's certain outstanding payables and expenses (the "**Outstanding Payables**"). Such Outstanding Payables by the company to Mr. Li has been settled by consideration of the disposal of investment properties of the Group.

33. CONTINGENT LIABILITIES

As at 31 December 2023, the Group and the Company did not have any significant contingent liabilities (2022: Nil).

34. COMMITMENTS

(i) Lease commitments

The Group did not have property, plant and equipment subject to an operating lease, as the group is owned property were transferred to related parties (Note 35). This transaction is recognised as selling assets, and the group recognise the amount of gain (Note 9) that relates to the rights transferred to the buyer.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	2023	2022
	RMB'000	RMB'000
Within 1 year	**–**	825
	–	825

(ii) Capital commitments

As at 31 December 2023 and 2022, the Group and the Company did not have any significant capital commitments.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the year ended 31 December 2023:

(i) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year:

Name of related parties	**Relationship with the Group**
Mr. Fan Shaozhou	Substantial Shareholder
Mr. Peng Weizhou	Shareholder
Mr. Wan Neng	Shareholder
Mr. Kong Guojing	Executive Director
Mr. Chen Li	Non-Executive Director
Mr. Li Hongxing	Non-Executive Director
Ms. Ye Jinhua	Spouse of Mr. Fan Shaozhou, the substantial shareholder
Mr. Kong Nianshun	Son of Mr. Kong Guojing, Executive Director

35. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Transactions with a related party

	2023 RMB'000	2022 RMB'000
Disposal of investment properties to Mr. Li Hongxing	**4,000**	—

The transaction was conducted in the normal course of business at prices and terms as agreed between the Group and the related party.

(iii) Key management compensation

Key management includes the directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 13 to the consolidated financial statements.

(iv) Amount due to related parties

	2023 RMB'000	2022 RMB'000
Non-trade payables to		
Mr. Kong Guojing *(Note a)*	**17,096**	—
Mr. Fan Shaozhou *(Note a)*	**799**	—
Mr. Chen Li *(Note a)*	**585**	—
Mr. Kong Nianshun *(Note a)*	**410**	—
Mr. Peng Weizhou *(Note b)*	**268**	268
Ms. Ye Jinhua *(Note a)*	**10**	—
Mr. Wan Neng *(Note a)*	**1**	—
	19,169	268

As at 31 December 2023 and 2022, non-trade payables balance to a related party was unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with related parties are denominated in RMB.

Note:

(a) The Group had funds RMB18,901,000 loaned from Mr. Fan Shaozhou, Mr. Kong Guojing, Mr. Chen Li, Mr. Kong Nianshun, Ms. Ye Jinhua and Mr. Wan Neng to increase the company's liquidity.

(b) On 18 September 2021, Mr. Peng Weizhou and an independent third party A entered into a loan agreement with an independent third party B, who granted loan facilities of RMB8,100,000. The loan bears interest at a rate of 14.6% per annum and is repayable in 6 months. The loan facility is secured by certain properties owned by Mr. Peng Weizhou and the independent third party A, respectively and guaranteed by Mr. Fan Shaozhou, and a subsidiary of the Group.

35. RELATED PARTY TRANSACTIONS *(continued)*

(iv) Amount due to related parties *(continued)*

On 18 September 2021, Mr. Peng Weizhou and the independent third party A transferred RMB4,100,000 and RMB4,000,000 to the Group to support its daily operation. Such amounts are interest-free and the repayment terms are consistent with the above-mentioned loan agreement. As of the report date, such facilities were fully repaid to the independent third party A and an amount of approximately RMB268,000 was not settled to Mr. Peng Weizhou.

(v) Guaranteed by shareholders and related parties

Certain banking facilities available to the Group were secured by limited guarantees provided by the shareholders, who are Mr. Fan Shaozhou, Mr. Wan Neng, Mr. Chen Li, Mr. Deng Guanghui, Mr. Peng Weizhou and related parties, who are Ms. Ye Jinhua, as at 31 December 2023 and 2022 as disclosed in Note 27.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**–**	–
CURRENT ASSETS		
Prepayment and other receivables	**–**	–
Amounts due from subsidiaries	**–**	–
Bank and cash balances	**61**	67
	61	67
CURRENT LIABILITIES		
Other payables	**3,282**	5,017
Amounts due to subsidiaries	**33,171**	27,296
	36,453	32,313
NET CURRENT LIABILITIES	**(36,392)**	(32,246)
NET LIABILITIES	**(36,392)**	(32,246)
EQUITY		
Share capital	**51**	51
Reserves	**(36,443)**	(32,297)
TOTAL EQUITY	**(36,392)**	(32,246)

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in the notes to the consolidated financial statements, there was no material events that after the report period to be disclosed.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 3 April 2024.