

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Wenye Group Holdings Limited

文業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1802)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

INTERIM RESULTS

The board of directors (the “**Board**”) of Wenye Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the period ended 30 June 2024 (“**1H2024**”) together with the comparative figures for the period ended 30 June 2023 (“**1H2023**”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	13,524	62,404
Gross profit margin	5.9%	7.0%
Loss for the period attributable to owners of the Company	(21,685)	(4,686)
Basic and diluted loss per share (RMB)	(0.04)	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	13,524	62,404
Cost of sales		<u>(12,727)</u>	<u>(58,036)</u>
Gross profit		797	4,368
Other income		1	2,552
Other (losses)/gains, net		(5,726)	158
Selling and marketing expenses		—	(73)
General and administrative expenses		(9,771)	(6,116)
Finance costs, net		(6,993)	<u>(5,575)</u>
Loss before tax		(21,692)	(4,686)
Income tax expense	6	<u>—</u>	<u>—</u>
Loss for the period		<u>(21,692)</u>	<u>(4,686)</u>
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>3</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		<u><u>3</u></u>	<u><u>—</u></u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(21,689)</u></u>	<u><u>(4,686)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (<i>RMB</i>)	8	<u><u>(0.04)</u></u>	<u><u>(0.01)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,524	7,615
Right-of-use assets		—	—
Investment properties		—	—
Intangible assets		—	—
Trade and other receivables	9	407	399
		7,931	8,014
CURRENT ASSETS			
Trade and other receivables	9	148,853	122,694
Contract assets	10	72,304	86,580
Restricted cash		16,886	22,287
Bank and cash balances	11	952	177
		238,995	231,738
CURRENT LIABILITIES			
Trade and other payables	12	839,783	818,401
Contract liabilities	10	64,564	63,601
Bank borrowings		28,774	28,774
Other borrowings		82,376	71,832
Lease liabilities		2,038	1,915
Amount due to related parties		24,499	19,169
Current income tax liabilities		38,753	38,765
		1,080,787	1,042,457
NET CURRENT LIABILITIES		(841,792)	(810,719)
TOTAL ASSETS LESS CURRENT LIABILITIES		(833,861)	(802,705)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CON'T)**

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other borrowings	18,396	26,817
Lease liabilities	4,431	5,477
	<u>22,827</u>	<u>32,294</u>
NET LIABILITIES	<u>(856,688)</u>	<u>(834,999)</u>
CAPITAL AND RESERVES		
Share capital	51	51
Reserves	(858,448)	(836,766)
	<u>(858,397)</u>	<u>(836,715)</u>
Equity attributable to owners of the Company	(858,397)	(836,715)
Non-controlling interests	1,709	1,716
	<u>1,709</u>	<u>1,716</u>
TOTAL EQUITY	<u>(856,688)</u>	<u>(834,999)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

2. GOING CONCERN BASIS

The Group incurred a loss of approximately RMB21,692,000 for the six months ended 30 June 2024. As at 30 June 2024, the Group had net current liabilities and net liabilities of approximately RMB841,792,000 and RMB856,688,000 respectively. The Group’s total bank and other borrowings amounted to approximately RMB28,774,000 and RMB100,772,000 respectively as at 30 June 2024 while its cash and cash equivalents amounted to approximately RMB952,000.

Based on the latest management account, the aggregate outstanding principal amounts of the bank and other borrowings in the book of the Company of approximately RMB28,774,000 and RMB100,772,000 respectively while its cash and cash equivalents amounted to approximately RMB952,000. Certain bank and other borrowings of approximately RMB28,774,000 and RMB82,376,000 are repayable on demand or within one year.

As of the date of this announcement, the Group is involved in 232 litigations due to its inability to repay its outstanding bank and other borrowings as well as trade and other payables. The expected penalty arising from abovementioned litigations amounted to approximately RMB58,221,000.

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

2. GOING CONCERN BASIS (CON'T)

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

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

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust 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 half 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 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3.1. Significant 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 investment properties, investments and derivatives which are carried at their fair values/fair values less costs to sell.

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

4. SEGMENT INFORMATION

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

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

The Group’s revenue was mainly derived in the PRC during the six months ended 30 June 2024 and 2023.

As at 30 June 2024 and 2023, all of the non-current assets were located in the PRC (31 December 2023: Same).

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

5. REVENUE

	For the six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue from construction services	13,524	61,898
Design service income	—	506
	<u>13,524</u>	<u>62,404</u>

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current income tax	—	—
Deferred income tax	—	—
	<u>—</u>	<u>—</u>

6. INCOME TAX EXPENSE (CON'T)

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% (2023: 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 11 December 2020.

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

7. DIVIDENDS

The directors do not recommend the payment of any dividend for each of the years ended 30 June 2024 and 2023.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB21,685,000 (30 June 2023: RMB4,686,000) and the weighted average number of ordinary shares of 593,940,017 (30 June 2023: 594,000,000), as adjusted to reflect the capitalisation of 444,510,000 shares which took place on 14 January 2020) and excluded sharing held under the restricted share unit scheme (“RSU scheme”) in issue during the six months ended 30 June 2024 (30 June 2023: Same).

(b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2024 (30 June 2023: Same).

9. TRADE AND OTHER RECEIVABLES

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Trade receivables	(i)	688,197	689,269
Provision for loss allowance		<u>(619,220)</u>	<u>(619,220)</u>
Trade receivables, net		<u>68,977</u>	<u>70,049</u>
Retention receivables	(ii)	225,146	217,978
Provision for loss allowance		<u>(212,877)</u>	<u>(212,877)</u>
Retention receivables, net		<u>12,269</u>	<u>5,101</u>
Deposits	(iii)	10,046	10,046
Provision for loss allowance		<u>(9,221)</u>	<u>(9,221)</u>
Deposits, net		<u>825</u>	<u>825</u>
Prepayments		36,973	21,511
Advances to staff		635	1,373
Other receivables		<u>29,581</u>	<u>24,234</u>
Total trade and other receivables		<u>149,260</u>	<u>123,093</u>
Analysed as:			
Current assets		148,853	122,694
Non-current assets		<u>407</u>	<u>399</u>
		<u>149,260</u>	<u>123,093</u>

9. TRADE AND OTHER RECEIVABLES (CON'T)

Notes:

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Unbilled revenue (<i>Note (i)</i>)	480,330	489,352
Within 30 days	4,547	—
31 days to 6 months	8,624	10,480
6 months to 1 year	10,313	11,078
1 to 2 years	31,493	59,690
2 to 3 years	48,440	31,543
Over 3 years	104,450	87,126
	<u>688,197</u>	<u>689,269</u>

Note (i): 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 30 June 2024, trade receivables were pledged as collateral for the Group's certain bank borrowings (2023: Same).

9. TRADE AND OTHER RECEIVABLES (CON'T)

Note: (Con't)

- (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 of 30 June 2024 and 31 December 2023, the ageing analysis of the retention receivables based on the retention period expiry date, is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	4,338	3,158
1 to 2 years	23,381	19,552
Over 2 years	<u>197,427</u>	<u>195,268</u>
	<u>225,146</u>	<u>217,978</u>

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

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

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

10. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Contract assets — construction services	769,109	782,614
Contract assets — design services	<u>3,426</u>	<u>4,197</u>
	772,535	786,811
Less: Provision for loss allowance	<u>(700,231)</u>	<u>(700,231)</u>
Total contract assets	<u><u>72,304</u></u>	<u><u>86,580</u></u>
Contract liabilities — construction services	56,062	55,099
Contract liabilities — design services	<u>8,502</u>	<u>8,502</u>
Total contract liabilities	<u><u>64,564</u></u>	<u><u>63,601</u></u>
Contract receivables (include in trade receivables)	<u><u>68,977</u></u>	<u><u>70,049</u></u>
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue recognized in the period that was included in contract liabilities at beginning of year:		
— Construction services	—	12,511
— Design services	<u>—</u>	<u>330</u>
	<u><u>—</u></u>	<u><u>12,841</u></u>

10. CONTRACT ASSETS AND LIABILITIES (CON'T)

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

	As at 30 June 2024 Contract assets RMB'000 (Unaudited)	As at 30 June 2024 Contract liabilities RMB'000 (Unaudited)	As at 31 December 2023 Contract assets RMB'000 (Audited)	As at 31 December 2023 Contract liabilities RMB'000 (Audited)
Increase due to operations in the year	—	963	29,133	63,601
Transfer of contract assets to trade receivables	14,276	—	(11,841)	—
Transfer of contract liabilities to revenue	—	—	—	(52,209)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(52,209)</u>

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.

11. BANK AND CASH BALANCES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash at bank	<u>952</u>	<u>177</u>
	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Denominated in:		
RMB	952	177
HK\$	—	—
	<u>952</u>	<u>177</u>

11. BANK AND CASH BALANCES (CON'T)

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.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade payables	676,171	670,777
Bills payables	<u>15,372</u>	<u>15,372</u>
	<u>691,543</u>	<u>686,149</u>
Accruals and other payables		
— Accrued staff benefits	17,505	16,229
— Other payables and accruals	72,514	63,525
— Provision for litigation penalty	<u>58,221</u>	<u>52,498</u>
	<u>148,240</u>	<u>132,252</u>
	<u>839,783</u>	<u>818,401</u>

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
RMB	839,783	818,401
HK\$	<u>—</u>	<u>—</u>
	<u>839,783</u>	<u>818,401</u>

12. TRADE AND OTHER PAYABLES (CON'T)

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 30 days	—	911
31 days to 6 months	9,068	10,065
6 months to 1 year	13,476	5,004
1 to 2 years	57,691	135,841
2 to 3 years	172,897	237,837
Over 3 years	438,411	296,491
	<hr/> 691,543 <hr/>	<hr/> 686,149 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

The Group's revenue decreased by approximately RMB48.9 million to approximately RMB13.5 million for the six months ended 30 June 2024 ("1H2024") from approximately RMB62.4 million for the six months ended 30 June 2023 ("1H2023").

The Group has been affected by various unfavorable factors such as downturn in macroeconomic economy and unsatisfactory performance of the PRC real estate market. The PRC building decoration industry, being an industry closely associated with the PRC real estate market, and the Group's business were also negatively affected.

FUTURE PROSPECTS

Although the real estate market remains weak and more time is required for market recovery, the Group believes that the PRC real estate sector is expected to stabilize and their financial situations to improve over time.

In view of the current challenges, the Group is prepared to adopt the following plans to promote steady development of the Group's business:

1. Continue to strengthen the Group's business and market share in areas which the Group already has outstanding track record in, such as works of high-speed railway, airport, hospital, hotel and other engineering works;
2. Develop overseas business by taking advantage of the opportunities of the "Belt and Road Initiative";
3. Enhance the collection of accounts receivable procedures by monitoring the aging of receivables, following up receivables with long outstanding balance and taking steps to collect payment on overdue receivables;

4. Continue to optimize the project management process, strengthen the implementation of quality improvement strategy, improve the efficiency of the project management, maximize the utilization of the Group's collective purchasing platform and enhance the economy of scale on procurement. The Group is seeking collaboration with several supply chain companies to reduce the projects' procurement cost and strengthen the Group's supply chain management. The collaboration expects enhancing the effectiveness on the project management and the quality of the supply;
5. Seek business opportunities in some emerging industries such as elderly care, infrastructures construction, green energy and urban revitalization.

FINANCIAL REVIEW

Revenue

The Group principally derives its revenue from provision of building decoration works and design services in the PRC. Revenue generated by service type was set out below:

	Six months ended 30 June			
	2024		2023	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Revenue from construction contracts	13.5	100	61.9	99.2
Design service income	—	—	0.5	0.8
Total	<u>13.5</u>	<u>100</u>	<u>62.4</u>	<u>100</u>

The Group's revenue decreased by approximately RMB48.9 million to approximately RMB13.5 million for 1H2024 from approximately RMB62.4 million for 1H2023 mainly due to the continual weak sentiment towards China properties market and the smaller scale and projects sum of maintenance projects.

Cost of sales

The cost of sales of the Group decreased to approximately RMB12.7 million for 1H2024 from approximately RMB58.0 million for 1H2023, representing a decrease of approximately 78.1% which is in line with the decrease of revenue.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB0.8 million for 1H2024 from approximately RMB4.4 million for 1H2023, representing a decrease of approximately 81.8%.

Our gross profit margin decrease to 5.9% for 1H2024 mainly due to decrease of the projects numbers and the low profit margin of the maintenance project.

Other income

The Group recorded other income of approximately RMB1 thousand for 1H2024 which mainly comprised of sundry income.

Other (losses)/gain, net

The Group record a net other loss of approximately RMB5.7 million for 1H2024 (Other gain for 1H2023: RMB0.2 million).

Selling and marketing expenses

The selling and marketing expenses of the Group primarily consist of marketing and advertising expenses, employee benefit expenses and travel and entertainment expenses.

There is no selling and marketing expenses for 1H2024 (1H2023: RMB73 thousand). The decrease was mainly due to no marketing and advertising expense incurred because of the decrease of the tender in the PRC real estate sector.

General and administrative expenses

The 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.

The general and administrative expenses increased to approximately RMB9.8 million for 1H2024 from approximately RMB6.1 million for 1H2023, representing an increase of approximately 60.7%. The increase was mainly attributed to the increase of professional fee.

Net impairment losses on financial and contract assets

There were no net impairment losses on financial and contract assets incurred in 1H2023 and 1H2024.

Loss for the period

Loss for the period of the Group increased from approximately RMB4.7 million for 1H2023 to approximately RMB21.7 million for 1H2024, mainly due to the lower profit margin of the projects in 1H2024.

Financial position, liquidity and financial resources

Trade and other receivables

The trade and other receivables increased from approximately RMB123.1 million as at 31 December 2023 to approximately RMB149.2 million as at 30 June 2024, representing an increase of 21.2%. The trade receivables are the amount due from customers.

Trade and other payable

The trade and other payable increased by 2.6% from approximately RMB818.4 million as at 31 December 2023 to approximately RMB839.8 million as at 30 June 2024. The trade payables are the amount due to suppliers.

Bank Borrowings

As at 30 June 2024, the Group had bank borrowings of approximately RMB28.8 (31 December 2023: approximately RMB28.8 million). Based on the scheduled repayment terms set out in the loan agreements, all the bank borrowings are repayable within 1 year. Bank borrowings were secured and guaranteed by the Group's trade receivables, a related company, 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 sound financial policy. The Group intends to improve its operational efficiency in order to improve the healthiness of the working capital primarily through capital contribution from operating activities and interest-bearing bank borrowings.

Liquidity ratios

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB1 million (31 December 2023: approximately RMB0.2 million). The Group's current ratio and gearing ratio are as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Current ratio	22.1%	22.2%
Gearing ratio	(15.8%)	(16.1%)

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 not made any significant investment, material acquisitions or disposal of subsidiaries, associates or joint ventures during 1H2024.

Capital commitments

As at 30 June 2024, the Group had no capital commitment.

Contingent Liabilities

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

Dividends

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2024.

Foreign currency exposure

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

As at 30 June 2024, 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

Proposed issue of new shares under specific mandate

References are made to (i) the announcement of the Company dated 7 June 2024 in relation to the proposed issue of new shares under specific mandate and connected transaction of the Company (the “**June 2024 Announcement**”); and (ii) the announcement of the Company dated 31 July 2024 in relation to extension of the long stop date of the proposed issuance of new shares under specific mandate (the “**July 2024 Announcement**”). Capitalized terms used herein shall have the same meanings as defined in the June 2024 Announcement and July 2024 Announcement.

On 7 June 2024 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements with the Subscribers respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of the Subscribers has conditionally agreed to subscribe for the Subscription Shares, being a total of 237,600,000 new Shares, at the Subscription Price of HK\$0.055 per Subscription Share, representing an aggregate subscription consideration of HK\$13,068,000 and subject to the terms and conditions set out in the Subscription Agreements.

The Subscription Shares represent (i) 40% of the existing issued share capital of the Company; and (ii) approximately 28.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement until the completion of the Subscriptions).

The gross proceeds from the Subscriptions are approximately HK\$13,068,000. The net proceeds from the Subscriptions, after deducting the related expenses, are estimated to be approximately HK\$12,300,000. The Company intends to apply approximately 90% of the total net proceeds in the approximate amount of HK\$11,070,000 from the Subscriptions for the repayment of its outstanding indebtedness and interest expenses, while the remaining 10% in the approximate amount of HK\$1,230,000 will be applied as its general working capital.

The Company and the Subscribers entered into Supplemental Subscription Agreements respectively on 31 July 2024 to extend the Long Stop Date from 31 July 2024 to 13 September 2024 (or such later date as the Company and the Subscribers may agree) as additional time was required for the fulfilment of the conditions precedent. The Subscription Shares shall be allotted and issued under the Specific Mandate to be sought from the Shareholders and Independent Shareholders at the EGM.

A circular containing, among other matters, further information on (i) the Subscription Agreements and the transactions contemplated thereunder (including the Specific Mandate); and (ii) a notice of the EGM is expected to be despatched to the Shareholders in due course.

Withdrawal of a winding-up petition against the Company

References are made to the announcements of the Company dated 7 June 2024, 5 July 2024 and 6 August 2024 in relation to the Petition filed by the Petitioner against the Company (collectively referred as the “**Announcements**”). Capitalized terms used herein shall have the same meaning as defined in the Announcements.

On 7 June 2024, the Company received the Petition for the Company to be wound up by the High Court on the ground that the Company is unable to pay its debts and the Petition would be heard before the High Court on 14 August 2024. On 6 August 2024, the Company received a sealed order of the High Court dated 12 July 2024, which ordered, among other things, that the Petition be withdrawn and the hearing be vacated.

Save as disclosed above, there are no important events affecting the Group which occurred after 30 June 2024 and up to the date of this announcement.

OTHER INFORMATION

Purchases, sale or redemption of the Company’s listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2024.

Compliance with the code or corporate governance practices

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 Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the six months ended 30 June 2024, the Company has fully complied with all the code provisions C.2.1 of Part 2 of the CG code. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code.

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

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct for dealing in securities in the Company. Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they have strictly complied with the required standard set out in the Model Code during the period from Listing Date to the six months ended 30 June 2024.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.szwyzs.com.cn). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Shenzhen, PRC, 30 August 2024

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