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Wenye Group Holdings Limited

文業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1802)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2023 (“**1H2023**”) together with the comparative figures for the period ended 30 June 2022 (“**1H2022**”).

FINANCIAL HIGHLIGHTS

	For the six months Ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	62,404	238,039
Gross profit margin	7.0%	5.9%
Loss for the period attributable to owners of the Company	(4,686)	(95,747)
Basic and diluted loss per share (RMB)	(0.01)	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	62,404	238,039
Cost of sales		<u>(58,036)</u>	<u>(224,096)</u>
Gross profit		4,368	13,943
Other income		2,552	530
Other gains/(losses), net		158	(290)
Selling and marketing expenses		(73)	(2,591)
General and administrative expenses		(6,116)	(30,619)
Impairment losses of financial assets and contract assets		—	(70,122)
Finance costs, net		<u>(5,575)</u>	<u>(6,426)</u>
Loss before tax		(4,686)	(95,575)
Income tax expense	6	<u>—</u>	<u>(172)</u>
Loss for the period		<u>(4,686)</u>	<u>(95,747)</u>
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>—</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(4,686)</u>	<u>(95,747)</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (RMB)	8	<u>(0.01)</u>	<u>(0.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,676	7,804
Investment properties		—	2,051
Trade and other receivables	9	1,525	5,084
		9,201	14,939
CURRENT ASSETS			
Trade and other receivables	9	149,192	160,327
Contract assets	10	116,068	94,394
Restricted cash		22,623	30,976
Bank and cash balances	11	2,661	344
		290,544	286,041
CURRENT LIABILITIES			
Trade and other payables	12	849,364	837,046
Contract liabilities	10	43,999	52,209
Bank borrowings		28,794	36,222
Other borrowings		105,096	88,072
Lease liabilities		1,810	1,683
Amount due to related parties		267	268
Current income tax liabilities		38,765	38,765
		1,068,095	1,054,265
NET CURRENT LIABILITIES		(777,551)	(768,224)
TOTAL ASSETS LESS CURRENT LIABILITIES		(768,350)	(753,285)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other borrowings	978	10,299
Lease liabilities	<u>6,837</u>	<u>7,895</u>
	<u>7,815</u>	<u>18,194</u>
NET LIABILITIES	<u>(776,165)</u>	<u>(771,479)</u>
CAPITAL AND RESERVES		
Share capital	51	51
Reserves	<u>(777,987)</u>	<u>(773,301)</u>
Equity attributable to owners of the Company	(777,936)	(773,250)
Non-controlling interests	<u>1,771</u>	<u>1,771</u>
TOTAL EQUITY	<u>(776,165)</u>	<u>(771,479)</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 RMB4,686,000 for the six months ended 30 June 2023. As at 30 June 2023 the Group had net current liabilities and net liabilities of approximately RMB777,551,000 and RMB776,165,000 respectively. The Group’s total bank and other borrowings amounted to approximately RMB28,794,000 and RMB106,074,000 respectively as at 30 June 2023 while its cash and cash equivalents amounted to approximately RMB2,661,000.

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 RMB28,794,000 and RMB109,055,000 respectively while its cash and cash equivalents amounted to approximately RMB3,389,000. Certain bank and other borrowings of approximately RMB28,794,000 and RMB79,988,000 are repayable on demand or within one year.

As of the date of this announcement, the Group is involved in 255 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 RMB35,292,000.

2. GOING CONCERN BASIS (CON'T)

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 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 consolidate 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.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CON'T)

3.1. Significant Accounting Policies (Con't)

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 2023 and 2022.

As at 30 June 2023 and 2022, all of the non-current assets were located in the PRC (31 December 2022: 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from construction services	61,898	232,964
Design service income	506	5,075
	<u>62,404</u>	<u>238,039</u>

6. INCOME TAX EXPENSE

	For the six months Ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	—	172
Deferred income tax	—	—
	<hr/>	<hr/>
Income tax expense	<u>—</u>	<u>172</u>

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

Shenzhen Wenye Decoration Design Engineering Co., Ltd., a wholly owned subsidiary of the Company, has qualified as high and new technology enterprise (“HNTE”) for which preferential tax rate of 15% is granted on 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 2023 and 2022.

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 RMB4,686,000 (30 June 2022: RMB95,746,000) and the weighted average number of ordinary shares of 594,000,000 (30 June 2022: 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 2023 (30 June 2022: 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 2023 (30 June 2022: Same).

9. TRADE AND OTHER RECEIVABLES

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Trade receivables	(i)	657,554	692,882
Provision for loss allowance		(614,023)	(614,023)
Trade receivables, net		43,531	78,859
Retention receivables	(ii)	256,359	224,954
Provision for loss allowance		(216,076)	(216,076)
Retention receivables, net		40,283	8,878
Deposits	(iii)	14,142	25,113
Provision for loss allowance		(8,992)	(8,992)
Deposits, net		5,150	16,121
Bills receivables	(iv)	5,024	5,024
Prepayments		4,528	43,736
Advances to staff		723	1,150
Loan receivable		6,850	—
Other receivables		44,628	11,643
Total trade and other receivables		150,717	165,411
Analysed as:			
Current assets		149,192	160,327
Non-current assets		1,525	5,084
		150,717	165,411

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 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Unbilled revenue (<i>Note (i)</i>)	423,286	476,946
Within 30 days	—	779
31 days to 6 months	25,436	30,833
6 months to 1 year	31,671	36,903
1 to 2 years	49,689	31,886
2 to 3 years	32,507	49,402
Over 3 years	94,965	66,133
	<u>657,554</u>	<u>692,882</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 2023, trade receivables were pledged as collateral for the Group's certain bank borrowings (2022: Same).

- (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 2023 and 31 December 2022, the ageing analysis of the retention receivables based on the retention period expiry date, is as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	254,538	23,257
1 to 3 years	1,821	201,697
	<u>256,359</u>	<u>224,954</u>

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

9. TRADE AND OTHER RECEIVABLES (CON'T)

Notes: (Con't)

(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) The ageing analysis of the bills receivables based on the invoice date, is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 2 years	1,701	4,652
Over 2 years	3,323	372
	<u>5,024</u>	<u>5,024</u>

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

10. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Contract assets — construction services	787,073	765,233
Contract assets — design services	<u>4,118</u>	<u>4,284</u>
	791,191	769,517
Less: Provision for loss allowance	<u>675,123</u>	<u>(675,123)</u>
Total contract assets	<u><u>116,068</u></u>	<u><u>94,394</u></u>
Contract liabilities — construction services	35,793	43,791
Contract liabilities — design services	<u>8,206</u>	<u>8,418</u>
Total contract liabilities	<u><u>43,999</u></u>	<u><u>52,209</u></u>
Contract receivables (include in trade receivables)	<u><u>199,882</u></u>	<u><u>78,859</u></u>
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized in the period that was included in contract liabilities at beginning of year:		
— Construction services	12,511	17,271
— Design services	<u>330</u>	<u>2,187</u>
	<u><u>12,841</u></u>	<u><u>19,458</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 2023 Contract assets RMB'000 (Unaudited)	As at 30 June 2023 Contract liabilities RMB'000 (Unaudited)	As at 31 December 2022 Contract assets RMB'000 (Audited)	As at 31 December 2022 Contract liabilities RMB'000 (Audited)
Increase due to operations in the year	45,190	4,631	15,483	357,773
Transfer of contract assets to trade receivables	—	—	(76,172)	—
Transfer of contract liabilities to revenue	—	12,841	—	(362,636)
	<u>45,190</u>	<u>12,841</u>	<u>—</u>	<u>(362,636)</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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash at banks	<u>2,661</u>	<u>344</u>
	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Denominated in:		
RMB	2,574	244
HK\$	<u>87</u>	<u>100</u>
	<u>2,661</u>	<u>344</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 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	724,551	711,132
Bills payables	15,445	15,445
	<u>739,996</u>	<u>726,577</u>
Accruals and other payables		
— Accrued staff benefits	20,795	14,789
— Other payables and accruals	43,317	49,078
— Provision for litigation penalty	45,254	46,602
	<u>109,366</u>	<u>110,469</u>
	<u>849,364</u>	<u>837,046</u>

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
RMB	849,362	837,046
HK\$	—	—
	<u>849,364</u>	<u>837,046</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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 30 days	12,324	36,293
31 days to 6 months	2,293	40,842
6 months to 1 year	94,728	83,876
1 to 2 years	187,550	250,543
2 to 3 years	299,408	279,883
Over 3 years	143,693	35,140
	<hr/> 739,996 <hr/>	<hr/> 726,577 <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 RMB175.6 million to approximately RMB62.4 million for the six months ended 30 June 2023 ("1H2023") from approximately RMB238.0 million for the six months ended 30 June 2022 ("1H2022").

The lifting of the COVID-19 pandemic prevention and containment measures during the first half of 2023 had a positive effect on the overall economy of the PRC. Nevertheless, 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.

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			
	2023		2022	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Revenue from construction contracts	61.9	99.2	233.0	97.8
Design service income	0.5	0.8	5.0	2.2
Total	<u>62.4</u>	<u>100</u>	<u>238.0</u>	<u>100</u>

The Group's revenue dropped by approximately RMB175.6 million to approximately RMB62.4 million for 1H2023 from approximately RMB238.0 million for 1H2022 mainly due to the impact from national macro-control policy on the PRC real estate industry in 1H2023.

Cost of sales

The cost of sales of the Group decreased to approximately RMB58.0 million for 1H2023 from approximately RMB224.1 million for 1H2022, representing a decrease of approximately 286.13% which is in line with the decrease of revenue.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB4.4 million for 1H2023 from approximately RMB13.9 million for 1H2022, representing a decrease of approximately 219%.

Our gross profit margin increase to 7% for 1H2023 mainly due to generally higher gross profit margin from the project commencing in 2023.

Other income

The Group recorded other income of approximately RMB2.6 million for 1H2023 which mainly comprised gain from disposal of investment properties.

Other gains/(losses), net

The Group record a net other gain of approximately RMB0.2 million for 1H2023 (Other loss for 1H2022: RMB0.3 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.

Selling and marketing expenses decreased to approximately RMB73 thousand for 1H2023 from approximately RMB2.6 million for 1H2022. The decrease was mainly due to a decrease in headcount and marketing and advertising expenses.

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 decreased to approximately RMB6.1 million for 1H2023 from approximately RMB30.6 million for 1H2022, representing a decrease of approximately 363%. The decrease was mainly attributed to (i) the decrease in headcount; (ii) the decrease in the depreciation of property, plant and equipment; and (iii) no research and development expense incurred in 1H2023.

Net impairment losses on financial and contract assets

No net impairment losses on financial and contract assets incurred in 1H2023 as the financial and contract assets were fully impaired in 1H2022 of approximately RMB70 million.

Loss for the period

Loss for the period of the Group decreased from approximately RMB95.6 million for 1H2022 to approximately RMB4.7 million for 1H2023, mainly due to the substantial decrease in the revenue of the Group.

Financial position, liquidity and financial resources

Trade and other receivables

The trade and other receivables decreased from approximately RMB165.4 million as at 31 December 2022 to approximately RMB150.7 million as at 30 June 2023, representing a decrease of 9.8%. The trade receivables are the amount due from customers.

Trade and other payable

The trade and other payable increased by 1.5% from approximately RMB837.0 million as at 31 December 2022 to approximately RMB849.4 million as at 30 June 2023. The trade payables are the amount due to suppliers.

Bank Borrowings

As at 30 June 2023, the Group had bank borrowings of approximately RMB28,794,000 (31 December 2022: approximately RMB36,222,000). 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 land and building, 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 2023, the Group had cash and cash equivalents of approximately RMB2.7 million (31 December 2022: approximately RMB0.34 million). The Group's current ratio and gearing ratio are as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current ratio	27%	27%
Gearing ratio	(0.66%)	(2.31%)

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 1H2023.

Capital commitments

As at 30 June 2023, the Group had no capital commitment.

Contingent liabilities

As at the date of this announcement, the material contingent liability for the Group is approximately RMB9.3 million which is due to a dispute in relation to payment between one of our subcontractors and its construction workers.

The Directors considered that Shenzhen Wenye Decoration Design Engineering Co., Ltd (“**Wenye Decoration**”) should not bear any obligation and liability of the claims amount to the construction workers given there was no contractual agreement between Wenye Decoration and the construction workers and Wenye Decoration had settled all the amounts due to the Subcontractor in relation to the construction works. Accordingly, no provision was made.

Dividends

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2023.

Foreign currency exposure

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

As at 30 June 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 30 June 2023 and up to the date of this announcement.

Charges on the group’s assets

As at 30 June 2023, the Group’s land trade receivables was pledged as collateral for the Group’s borrowings (As at 31 December 2022, the Group’s land and buildings of RMB4.7 million, investment properties of RMB2.1 million and trade receivables was pledged as collateral for the Group’s borrowings).

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 2023.

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 14 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 2023, 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 10 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 2023.

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. Lau Chui Ping Soey.

The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2023.

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 2023 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, 3 December 2023

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