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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 UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND DELAY IN PUBLICATION OF
AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

**DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS
ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) would like to inform the shareholders of Wenye Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (the “**Shareholders**”) and potential investors that due to travel restrictions and local quarantine measures related to the recent outbreak of the COVID-19 Pandemic in the People’s Republic of China and Hong Kong, the Group’s ability to gather necessary documents (including, among others, confirmations required from banks and financial institutions) has been severely restricted and the auditing process of the auditors of the Company (the “**Auditors**”) has been adversely affected.

Given that the Company has been informed by the Auditors that their audit for the year ended 31 December 2021 (“**FY2021**”) does not expect to complete on or before the date of the meeting of the Board (the “**Board Meeting**”), which was originally scheduled to be held on 31 March 2022, it is anticipated that the Company will not be able to publish the audited annual results for FY2021 (“**2021 Audited Annual Results**”) on or before 31 March 2022 in accordance with Rules 13.49(1) and 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Rule 13.49(3) of the Listing Rules provides that where an issuer is unable to publish its announcement of preliminary results based on its financial statements in accordance with Rules 13.49(1) and 13.49(2) of the Listing Rules, it must announce its results for the financial year based on the financial results which have yet to be agreed with the Auditors. The Board hereby announces the unaudited consolidated annual results of the Group for the year ended 31 December 2021 based on the management accounts (“**FY2021 Management Figures**”), together with the comparative audited figures for the corresponding year in 2020. The FY2021 Management Figures have not been audited by the Auditors.

Based on the information currently available to the Company, the Company expects to publish the 2021 Audited Annual Results upon the completion of the audit by April 2022. Further announcement(s) will be made by the Company as and when appropriate.

The FY2021 Management Figures have been reviewed by the audit committee of the Board of the Company (the “**Audit Committee**”) and approved by the Board.

FINAL RESULTS

The Board of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2021 together with the comparative audited figures for the year ended 31 December 2020.

FINANCIAL HIGHLIGHTS		
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Revenue	1,149,569	1,247,561
Gross profit margin	10.77%	11.9%
(Loss)/profit attributable to owners of the Company	(59,893)	21,069
Adjusted (loss)/profit attributable to owners of the Company (excluding listing expenses)	(59,893)	33,346
Basic and diluted (loss)/earnings per share (RMB)	(0.1)	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Notes	RMB'000 (unaudited)	RMB'000 (audited)
Revenue	4	1,149,569	1,247,561
Cost of sales	5	<u>(1,025,756)</u>	<u>(1,098,967)</u>
Gross profit		123,813	148,594
Other income		3,735	14,282
Other losses, net		(16,572)	(4,364)
Selling and marketing expenses	5	(8,836)	(9,912)
General and administrative expenses	5	(36,371)	(57,016)
Net impairment losses on financial and contract assets		<u>(96,000)</u>	<u>(44,312)</u>
Operating (loss)/profit		<u>(30,231)</u>	<u>47,272</u>
Finance income		926	1,878
Finance costs		<u>(12,959)</u>	<u>(16,625)</u>
Finance costs, net		<u><u>(12,033)</u></u>	<u><u>(14,747)</u></u>
(Loss)/profit before income tax		(42,264)	32,525
Income tax expense	6	<u>(17,629)</u>	<u>(11,456)</u>
(Loss)/profit for the year		(59,893)	21,069
(Loss)/profit attributable to:			
Owners of the Company		(59,862)	21,069
Non-controlling interests		<u>(31)</u>	<u>—</u>
		<u>(59,893)</u>	<u>21,069</u>

		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>486</u>	<u>(494)</u>
Other comprehensive income for the year		<u><u>486</u></u>	<u><u>(494)</u></u>
Total comprehensive (loss)/income for the year			
attributable to the owners of the Company		<u><u>(59,407)</u></u>	<u><u>20,575</u></u>
(Loss)/earnings per share attributable to			
owners of the Company			
– Basic and diluted (RMB)	8	<u><u>(0.1)</u></u>	<u><u>0.04</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,430	12,128
Investment properties		2,128	2,205
Intangible assets		285	595
Right-of-use assets		6,947	13,534
Deferred income tax assets		41,590	41,590
Trade and other receivables	9	23,429	39,855
		<u>84,809</u>	<u>109,907</u>
Current assets			
Contract assets		962,787	790,722
Trade and other receivables	9	656,831	951,297
Restricted cash		55,574	43,895
Cash and cash equivalents	10	33,727	56,856
		<u>1,708,919</u>	<u>1,842,770</u>
Total assets		<u>1,793,728</u>	<u>1,952,677</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		51	51
Share premium		130,425	130,425
Other reserves		179,120	178,634
Retained earnings		256,802	316,694
Total equity		<u>566,398</u>	<u>625,804</u>

		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		–	6,000
Lease liabilities		1,799	9,454
Other borrowings		47,300	–
		<u>49,099</u>	<u>15,454</u>
Current liabilities			
Trade and other payables	<i>11</i>	933,422	1,034,774
Contract liabilities		57,316	39,620
Lease liabilities		6,675	6,710
Amount due to a related party		1	721
Bank borrowings		102,261	155,311
Other borrowings		23,564	24,384
Current income tax liabilities		54,992	49,899
		<u>1,178,231</u>	<u>1,311,419</u>
Total liabilities		<u>1,227,330</u>	<u>1,326,873</u>
Total equity and liabilities		<u>1,793,728</u>	<u>1,952,677</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, 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 “**Listing 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 14 January 2020 (the “**Listing**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest thousand yuan, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards and revised conceptual framework adopted by the Group

The following amended standards and framework have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

Amendments to HKAS39, HKFRS4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The Group has adopted these new standards, amendments of standards and interpretations and the adoption of these new standards, amendments of standards and interpretations do not have significant impacts on the Group's consolidated financial statements.

(b) New and amended standards that have been issued but are not yet effective during the year and have not been early adopted by the Group

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 2021 ⁽¹⁾
Annual Improvement Project (Amendments)	Annual Improvements to HKFRSs 2018-2020 ⁽²⁾
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments ⁽²⁾
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations ⁽²⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current ⁽³⁾
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁽³⁾
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽³⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽³⁾
HKFRS 17	Insurance Contracts ⁽³⁾
Amendments to HKFRS 17	Amendments to IFRS 17 ⁽³⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽³⁾
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

- (1) effective for accounting periods beginning on or after 1 April 2021
- (2) effective for accounting periods beginning on or after 1 January 2022
- (3) effective for accounting periods beginning on or after 1 January 2023
- (4) no mandatory effective date is determined yet but early application is permitted

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The Group will adopt the new standards, amendments to standards and annual improvement when they become effective.

3. SEGMENT INFORMATION

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

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

All of the Group’s revenue is derived in the PRC during the year ended 31 December 2021.

As at 31 December 2021, all of the non-current assets were located in the PRC (2020: 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.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Revenue from construction services	1,133,212	1,224,256
Design service income	16,357	23,305
	<u>1,149,569</u>	<u>1,247,561</u>

5. EXPENSES BY NATURE

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Raw materials and consumables used	555,542	627,328
Remuneration paid or payable to work forces engaged by the Group	395,431	405,412
Design service contract cost	14,673	13,188
Employee benefit expenses	37,811	40,505
Business and other taxes	7,677	8,314
Depreciation of property, plant and equipment	2,337	3,536
Depreciation of investment properties	77	2,544
Amortisation of intangible assets	310	464
Depreciation of right-of-use assets	5,476	7,824
Short-term leases expenses	149	437
Marketing and advertising expenses	278	405
Legal and professional fees	5,552	6,078
Auditor's remuneration – Audit services	1,700	2,300
Travel and entertainment expenses	2,038	2,569
Listing expenses	–	12,277
Other expenses	41,912	32,714
Total cost of sales, selling and marketing expenses and general and administrative expenses	<u>1,070,963</u>	<u>1,165,895</u>

6. INCOME TAX EXPENSE

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Current income tax	17,629	8,474
Deferred income tax	<u>–</u>	<u>2,982</u>
	<u>17,629</u>	<u>11,456</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% (2020: 25%).

The weighted average applicable tax rate was 28% for the year ended 31 December 2021 (2020: 28%).

7. DIVIDENDS

No dividend has been proposed by the Board of Directors of the Company for the year ended 31 December 2021 (2020: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) *Basic*

The basic (loss)/earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	2021 (unaudited)	2020 (audited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(59,893)	21,069
Weighted average number of share in issue or deemed to be in issue (number of shares)	<u>594,000,000</u>	<u>588,699,905</u>
Basic (loss)/earnings per share (RMB)	<u><u>(0.1)</u></u>	<u><u>0.04</u></u>

(b) *Diluted*

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding during the year ended 31 December 2021 (2020: Same).

9. TRADE AND OTHER RECEIVABLES

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Trade receivables	836,802	1,019,769
Less: provision for impairment of trade receivables	(298,040)	(202,041)
Trade receivables, net (Note (a))	538,762	817,728
Retention receivables	100,980	109,704
Less: provision for impairment of retention receivables	(2,046)	(2,047)
Retention receivables, net (Note (c))	98,934	107,657
Deposits (Note (d))	23,408	25,385
Less: provision for impairment of deposits	(1,400)	(1,400)
Deposits, net (Note (d))	22,008	23,985
Bills receivables (Note (b))	7,035	3,340
Prepayments	1,644	9,579
Advance to staff	7,582	6,166
Compensation receivables from termination of a lease contract	—	10,000
Loan and interest receivables	1,068	10,843
Other receivables	3,227	1,854
	680,260	991,152
Less non-current portion:		
Deposits	(3,734)	(2,981)
Retention receivables	(19,695)	(36,874)
	(23,429)	(39,855)
Current portion	656,831	951,297

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.

Notes:

- (a) The credit terms of trade receivables are generally stated as up to 60 days from the invoice date. As at 31 December 2021, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Unbilled revenue (Note (i))	648,668	785,251
Within 30 days	5,755	25,485
31 days to 6 months	27,254	44,181
6 months to 1 year	14,078	45,587
1 year to 2 years	63,874	25,606
2 years to 3 years	15,043	30,251
Over 3 years	62,130	63,408
	836,802	1,019,769

Note (i): The balances above included unbilled revenue for projects completed by the Group but yet to bill which excluding 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 2021, trade receivables were pledged as collateral for the Group's certain bank borrowings.

- (b) As at 31 December 2021, the ageing analysis of the bill receivables based on the invoice date is as follows:

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 30 days	–	1,207
31 days to 6 months	3,611	1,883
6 months to 1 year	3,052	200
1 year to 2 years	322	50
Over 2 years	50	–
	7,035	3,340

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

- (c) Retention receivables represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally lasts from 1 to 2 years. As at 31 December 2021, the ageing analysis of the retention receivables based on the project completion date is as follows:

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 1 year	25,944	72,830
1 year to 2 years	17,115	36,874
Over 2 years	57,921	–
	100,980	109,704

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

- (d) Deposits mainly represented tender deposits and performance bond due from customers.

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

10. CASH AND CASH EQUIVALENTS

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Cash at banks	33,727	56,856
Maximum exposure to credit risk	33,727	56,828

As at 31 December 2021 and 2020, the carrying amount of cash and cash equivalents are denominated in the following currencies:

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
RMB	33,406	54,250
HK\$	<u>321</u>	<u>2,606</u>
	<u>33,727</u>	<u>56,856</u>

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

11. TRADE AND OTHER PAYABLES

	2021 RMB'000 (unaudited)	2020 RMB'000 (audited)
Trade payables	677,279	844,552
Bills payables	<u>18,880</u>	<u>12,738</u>
	<u>696,159</u>	<u>857,290</u>
Accruals and other payables		
– Accrued staff benefits	24,326	10,524
– Other taxes payable	159,991	138,779
– Accruals for listing expenses	–	3,106
– Other accruals and other payables	<u>52,946</u>	<u>25,075</u>
	<u>237,263</u>	<u>177,484</u>
	<u>933,422</u>	<u>1,034,774</u>

As at 31 December 2021 and 2020, the carrying amounts of trade and other payables approximate their fair values and denominated in the following currencies:

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
RMB	933,279	1,031,524
HK\$	143	3,250
	933,422	1,034,774

As at 31 December 2021, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 30 days	503,024	665,965
31 days to 6 months	20,032	100,137
6 months to 1 year	100,906	21,757
1 year to 2 years	40,800	51,046
2 year to 3 years	17,810	12,897
Over 3 years	13,587	5,488
	696,159	857,290

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group is a building decoration services provider based in Shenzhen City, Guangdong Province, the PRC. We possess 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.

The Group's revenue decreased by approximately RMB98 million or 7.9% to approximately RMB1,149.6 million for the year ended 31 December 2021 from approximately RMB1,247.6 million for the year ended 31 December 2020. Regarding the decrease in operating income, there are mainly two aspects. On the one hand, as the COVID-19 pandemic continues, the Chinese government continued to impose strict precautionary and control measures (such as working from home, lockdown and travel restrictions, etc.), which still has a certain impact on the development of the domestic building decoration industry. On the other hand, more importantly, the real estate market of China has suddenly cooled down, a series of policy control measures have put the entire real estate industry in danger, and the decoration industry, which is closely related to the real estate industry, has also been hit seriously. While the entire market was shrinking, the Group was inevitably hit hard.

In the entire year of 2021, the Group has undertaken a total of 233 new construction projects, of which 155 are construction projects and 78 are design projects, with a total contract value of RMB1,060.09 million. Compared with last year, the total number of projects has decreased significantly, mainly because in 2021, the Group has mainly undertaken large-value projects and reduced small-value projects. In 2021, there were 28 projects with a value of more than RMB10 million, of which 3 had a project value of more than RMB60 million.

With the arrival of new year 2022, the Group undertook 3 large-scale public construction projects with a contract value exceeding RMB60 million in the first quarter, with a total value exceeding RMB200 million. We believe that, despite the systemic downturn in the industry, the Group is still able to see positive prospect and see further success.

During the Reporting Period under review, the Group has received a number of awards. The Group was awarded the title of Shenzhen Multinational Corporation Headquarters, the National (Shenzhen) Excellent Foreign-Invested Enterprise Quality Progress Award, and 2 China Construction Engineering Decoration Awards for 2021-2022. The Group also ranked 12th in the comprehensive data statistics (decoration category) of the building decoration industry in 2020 (announced in 2021). On top of that, in terms of design, the Group received 1 design award in gold, 2 in silver and one institutional award this year. In addition, in terms of scientific research, the Group achieved satisfactory performance in 2021, and won 2 scientific and technological innovation achievement awards in the construction industry of Guangdong Province and 4 Utility Model Patent Certificates.

With the global economy is facing challenges, the domestic economy is sluggish, the real estate industry is in a systematic downturn, and the market structure adjustment and changes in the competition pattern, building decoration companies are required to improve their adaptability quickly.

Looking forward, in 2022, the Group plans to realize the platform-based organization by reshaping the industry business model – the business partnership system, and implement the industrial internet-based SaaS service platform. Through the online labour service platform, the smart construction site system based on BIM technology, the centralized procurement system covering the entire region, and the combination of industry and financial innovation, it has become a leading platform-based enterprise in the field of engineering decoration, and has achieved multiple growths in performance.

In addition, the Group has also complied with the call of national policies to simultaneously strengthen digital transformation and upgrade under the dual carbon goals, realize digitalization of operations, reduce costs and increase efficiency in upstream and downstream, vigorously develop platform network technology, and transform into a high-tech platform-based enterprise based on industrial background.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December			
	2021		2020	
	RMB million	%	RMB million	%
Revenue from construction contracts	1,133.2	98.6	1,224.3	98.1
Design service income	16.4	1.4	23.3	1.9
Total	1,149.6	100	1,247.6	100

The Group's revenue decreased to approximately RMB1,149.6 million for the year ended 31 December 2021, from approximately RMB1,247.6 million for the year ended 31 December 2020, representing a decrease of approximately 7.9%. Such decrease was mainly due to the continuous spread of the COVID-19 pandemic and the implementation of travel restrictions by the local government, resulting in the delay of work schedules of the Group's projects.

Cost of sales

The cost of sales of the Group decreased to approximately RMB1,025.8 million for the year ended 31 December 2021, from approximately RMB1,099.0 million for the year ended 31 December 2020, representing a decrease of approximately 6.7%, which is in line with the decrease in revenue due to the continuous spread of the COVID-19 pandemic.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB123.8 million for the year ended 31 December 2021, from approximately RMB148.6 million for the year ended 31 December 2020, representing a decrease approximately 16.7%. The decrease is in line with the decrease in revenue. Our gross profit margin decreased from 11.9% for the year ended 31 December 2020 to 10.8% for the year ended 31 December 2021.

Other income

The Group recorded other income of approximately RMB3.7 million for the year ended 31 December 2021 which mainly comprised rental income from investment properties, government grants and compensation from lawsuit (31 December 2020: RMB14.3 million).

Other gains/(losses), net

The Group recorded a net other losses of approximately RMB16.6 million for the year ended 31 December 2021 (31 December 2020: RMB4.3 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.

The Group recorded a selling and marketing expenses of approximately RMB8.8 million for the year ended 31 December 2021, which was in line with that of approximately RMB9.9 million for the year ended 31 December 2020.

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 RMB36.4 million for the year ended 31 December 2021, from approximately RMB57.0 million for the year ended 31 December 2020, representing a decrease of approximately 36.2%. The decrease was mainly attributed to the decrease in listing expenses as the Company was successfully listed in 2020, hence no listing expenses incurred in 2021.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets was decreased by 116.6% from approximately RMB44.3 million for the year ended 31 December 2020 to approximately RMB96 million for the year ended 31 December 2021. The decrease of the net impairment losses on financial and contract assets was primarily due to the collection of trade receivable of which the balance is due for over two years.

Net (loss)/profit

Profit for the year of the Group decreased from the profit of approximately RMB21.1 million for the year ended 31 December 2020 to the loss of approximately RMB60.0 million for the year ended 31 December 2021. The decrease was mainly due to the increase in the net impairment losses on financial and contract assets and the provisions made for the Group's losing lawsuits and the contingent liabilities arising out of the legal proceedings.

Financial position, liquidity and financial resources

Trade and other receivables

The trade and other receivables decreased from approximately RMB991.2 million as at 31 December 2020 to approximately RMB680.3 million as at 31 December 2021, representing a decrease of 31.4%. The trade receivables are the amount due from customers.

Trade and other payables

The trade and other payable decreased by 9.8% from approximately RMB1,034.8 million as at 31 December 2020 to approximately RMB933.4 million as at 31 December 2021. The trade payables are the amount due to suppliers.

Bank Borrowings

As at 31 December 2021, the Group had borrowings of approximately RMB102.3 million (31 December 2020: approximately RMB161.3 million), denominated in RMB. Based on the scheduled repayment terms set out in the loan agreements, approximately RMB102.3 million of the bank borrowings are repayable within one 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. As at 31 December 2021, the weighted average effective interest rate of our bank borrowings was approximately 5.54%.

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 of 31 December 2021, the Group has cash and cash equivalents of approximately RMB37.1 million (31 December 2020: approximately RMB56.9 million). The Group's current ratio and gearing ratio are as follows:

	31 December 2021	31 December 2020
Current ratio	1.45	1.41
Gearing ratio	17.8%	23.2%

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.

The Group maintained net cash position and healthy current and gearing ratios, reflecting its healthy financial position.

Significant investments/material acquisitions and disposals

The Group had not made any significant investment or material acquisitions and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Capital commitments

As at 31 December 2021, the Group had no capital commitment.

Contingent liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

Foreign currency exposure

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

As at 31 December 2021, 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 2021 and up to the date of this announcement.

Charges on the Group's assets

As at 31 December 2021, the Group's land and buildings of RMB4.8 million, investment properties of RMB2.1 million, restricted cash of RMB55.6 million and trade receivables were pledged as collateral for the Group's borrowings (31 December 2020: land and buildings of RMB4.9 million, investment properties of RMB2.2 million and trade receivables were pledged as collateral of the Group's borrowings).

USE OF PROCEEDS

On 14 January 2020 (“**Listing Date**”), the shares in issue were initially listed on the Main Board of the Stock Exchange. A total of 148,500,000 shares were issued to the public at HK\$1.06 per share, the net proceeds from the Global Offering to be received by the Group, after deduction of the underwriting fees and commissions and other expenses payable by the Group in connection with the Global Offering was approximately HK\$107.4 million.

In light of the difference between the actual and estimated amount of the total net proceeds raised from the IPO (the “**Net Proceeds**”), the Group has adjusted the intended use of the Net Proceeds in the same manner and in the same proportion as shown in the Prospectus.

As at 31 December 2021, the Group has fully utilized the net proceeds from the Global Offering of approximately HK\$107.4 million. Set out below are details of the original allocation of the Net Proceeds, revised allocation of the Net Proceeds (after the adjustment as mentioned above), the utilised amount of the Net Proceeds as of 31 December 2021:

				The amount utilized during the year ended	Utilised amount (as of 31 December 2021)	Unutilised amount (as of 31 December 2021)
	Original allocation of Net Proceeds <i>HK\$ million</i>	Revised allocation of Net Proceeds <i>HK\$ million</i>	The remaining net proceeds as at 31 December 2020 <i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>	31 December 2021 <i>HK\$ million</i>
Fund the Group’s capital needs and cash flow under its existing and expected projects	61.2%	80.2	65.7	0.4	0.4	65.7
Hiring of additional project managers and designers	8.1%	10.6	8.7	4.0	4.0	8.7
Improvement of the existing branch offices	20.9%	27.4	22.5	14.0	14.0	22.5
General working capital	9.8%	12.9	10.5	–	–	10.5
	<u>100%</u>	<u>131.1</u>	<u>107.4</u>	<u>18.4</u>	<u>18.4</u>	<u>107.4</u>
						–

OTHER INFORMATION

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

The Company is committed to maintaining high quality corporate governance. The corporate governance principles of the Company are to promote effective internal management measures, to maintain high quality ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company's corporate governance practice is based on the principles and code provisions as set out in Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

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

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

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company with each of the Directors, all Directors have confirmed that they had complied with the required dealing standards set out in the Model Code during the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) will be held on 23 June 2022. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

REVIEW OF THE UNAUDITED ANNUAL RESULTS BY AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the “**Audit Committee**”) comprises all the independent non-executive Directors (the “**INEDs**”), namely Ms. Huang Guiqing (chairman), Mr. Liu Ziping and Mr. Liu Xiaoyi.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December 2021 and the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.szwyzs.com.cn). The audit process for the consolidated financial statements for FY2021 has not been completed. Following the completion of the audit, the Company will issue further announcement(s) in relation to (i) the audited consolidated annual results for FY2021 as agreed by the Auditors and the material differences (if any) as compared with the unaudited consolidated annual results contained herein on or before 30 April 2022; and (ii) the proposed date on which the forthcoming annual general meeting of the Company will be held. The Board will endeavour to publish the 2021 Audited Annual Results by April 2022. The 2021 annual report of the Company will be dispatched to the shareholders and published in the aforesaid websites in due course.

The financial information contained herein in respect of the consolidated annual results of the Group have not been audited and have not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shenzhen, PRC, 31 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Fan Shaozhou, Mr. Wan Neng and Mr. Peng Weizhou; the non-executive directors of the Company are Mr. Deng Guanghui and Mr. Chen Li; and the independent non-executive directors of the Company are Ms. Huang Guiqing, Mr. Liu Ziping and Mr. Liu Xiaoyi.