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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)

**FULFILMENT OF RESUMPTION GUIDANCE
AND
RESUMPTION OF TRADING**

This announcement is made by Wenye Group Holdings Limited (the “**Company**”), together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 30 March 2022, 31 March 2022, 29 April 2022, 12 May 2022, 17 May 2022, 23 May 2022, 20 June 2022, 11 July 2022, 20 July 2022, 1 August 2022, 14 August 2022, 14 October 2022, 14 November 2022, 9 January 2023, 10 February 2023, 18 May 2023, 16 August 2023, 13 October 2023, 3 December 2023 and 6 December 2023 in relation to, amongst other things, (i) the delay in publication of audited annual results of the Company for the two years ended 31 December 2021 and 31 December 2022 (referred as “**Audited FY2021 Annual Results**” and “**Audited FY2022 Annual Results**”, respectively); (ii) the delay in publication of the unaudited interim results of the Company for the six months ended 30 June 2022 and 30 June 2023 (referred as “**Unaudited FY2022 Interim Results**” and “**Unaudited FY2023 Interim Results**”, respectively); (iii) the suspension of trading in the shares of the Company (the “**Shares**”) since 13 May 2022; (iv) the resignation and appointment of auditor; (v) the resumption guidance and two additional resumption guidance set by the Stock Exchange (collectively, the “**Resumption Guidance**”) for the resumption of trading in the Shares; (vi) quarterly update on suspension of trading in the Shares (vii) the appointments of Mr. Huang Wei (“**Mr. Huang**”) and Ms. Lau Chui Ping Soey (“**Ms. Lau**”) as independent non-executive directors of the Company (“**INED**”) and to the committees of the board of directors (the “**Board**”); (viii) the subscription of Shares under general mandate and (ix) the Audited FY2021 Annual Results, Audited FY2022 Annual Results, Unaudited FY2022 Interim Results and Unaudited FY2023 Interim Results and the publication of the 2021 and 2022 Annual Reports and the 2022 and 2023 Interim Reports.

BACKGROUND

Trading in the Shares has been suspended from 9:30 a.m. on 13 May 2022 due to the delay in the publication of the Audited FY2021 Annual Results. The delay was due to the occurrence of certain audit matters raised by the Company's previous auditor PricewaterhouseCoopers ("PwC") during the audit of the Company's financial statements for the year ended 31 December 2021 and the measures related to outbreak of the COVID-19 Pandemic in the PRC that has restricted the Company's ability to gather certain necessary documents for audit.

Audit matters raised by PwC and actions taken

(i) *Going concern assessment by PwC ("PwC Going Concern Assessment")*

Matter raised in the PwC's resignation letter to the Group dated 20 May 2022 ("PwC Letter")

"The Group had bank and other borrowings from Bank of Shanghai (上海銀行) and Shenzhen Yueshang Loan Co., Limited ("Shenzhen Yueshang") (深圳市粵商貸款有限公司) in the amount of approximately RMB30 million and RMB22.9 million, respectively (referred as "Bank of Shanghai Borrowing" and "Shenzhen Yueshang Borrowing", respectively).*

Borrowings in the approximate amount of RMB10 million from Bank of Shanghai and the full amount of borrowings from Shenzhen Yueshang were due on or before 31 December 2021. The remaining bank borrowing of approximately RMB20.0 million from Bank of Shanghai was due on 6 May 2022. As at 12 May 2022, the borrowings were overdue and not yet repaid. Although the respective lenders have not taken any further action against the Group, the said borrowings of the Group were in default and management has not entered into any extension agreement with or obtained waiver letter from the lenders. At the same time, as at 31 December 2021, three other bank loan contracts of the Group contained cross-default clauses, as such, the related bank loans may also be regarded as in default and the banks have the right to demand the Group to repay immediately.

In addition, as at 31 December 2021, the Group had 59 litigations of claims from creditors in which the Group was the defendant, with an aggregate claim amount of approximately RMB45.4 million. According to the draft legal opinions on these litigations provided by the Group, the Group may be liable to settle the relevant amount claimed in 26 litigations with an aggregate amount of approximately RMB14.4 million.

Despite PwC's request, it was not provided with information and explanation from the management of the Company which includes but not limited to:

- a) Assessment of the group's ability to continue to operate as going concern, including the group's relevant plans and measures to operate as going concern, cash flow forecasts for the next twelve months, as well as important assumptions and related information;*
- b) Provide extension agreement and waiver of default for Bank of Shanghai Borrowing and Shenzhen Yueshang Borrowing;*
- c) Obtain waiver letters on cross defaulting from other banks;*
- d) Provide the group's assessment of the impact of litigation (including the impact on cash flow) and the legal opinions issued by external lawyers on litigation; and*
- e) Arrange interview with lawyer for PwC to assess the need for extended audit procedures."*

Responses and/or actions taken to address the PwC Going Concern Assessment

ZHONGHUI ANDA CPA Limited (the "**Auditor**") took note of the PwC Going Concern Assessment when performing the audit of the Audited FY2021 Annual Results and the Audited FY2022 Annual Results. For the reasons outlined in the subsection headed "Resumption Guidance (i) publish all outstanding financial results and address any audit modifications" below, Auditor has issued a disclaimer of opinion in relation to the going concern of the Group for the Audited FY2021 Annual Results and Audited FY2022 Annual Results.

Please also refer to the Resumption Guidance (i) subsection for the detailed response of the Company in response to the Auditor's disclaimer of opinion in relation to going concern.

(ii) *Audit confirmations of accounts receivable and accounts payable ("Audit Confirmations Matter")*

Matter raised in PwC Letter

"There were outstanding information, supporting documents and explanations from management for the audit confirmations on accounts receivable and accounts payable, including but not limited to, (i) a few audit confirmations yet to be sent out and pending for information of relevant suppliers to be provided by management and the explanations on the reason for not being able to provide such information on time;

(ii) certain returned audit confirmations to be resent are pending for information and explanations on the reason of return; and (iii) the difference between the addresses of receipt of certain confirmations and the addresses which were obtained from public source by PwC, which includes certain replied audit confirmations that are confirmed by the counter parties.

According to management's preliminary explanations, the main reasons of the differences in addresses is due to data mismatch caused by manpower shortage and the change of operation addresses of the counter parties. PwC has requested management to provide, but has not yet provided with, the detailed reasons and explanations, the information of counter parties and supporting documents, and to arrange site visits and direct contact with counter parties to verify the addresses and content of audit confirmations."

Responses and/or actions taken to address Audit Confirmations Matter

The Audit Confirmations Matter concerns 404 accounts receivable and accounts payable confirmations ("**404 Confirmations**") which were in question during PwC's audit of the Group's financial statements for the year ended 31 December 2021.

Auditor issued 306 confirmations in respect of the 404 Confirmations during its course of audit to confirm accounts receivable and accounts payable of the Group. The confirmations were issued to the registered addresses of the customers or suppliers as obtained from third party platforms such as Qichacha* (企查查), Tianyancha* (天眼查) and the website of the PRC judiciary (中國裁判文書網). Certain confirmations were sent to addresses different from the registered addresses of the customers or suppliers as change of addresses confirmation were obtained from and confirmed by the said customers or suppliers.

Among the 98 confirmations which had not been issued, there were 11 account receivable confirmations and 87 account payable confirmations. Among the 11 account receivable confirmations, 6 were duplicated confirmations arising from the counterparty having used a different payee company within the same group to settle account receivable and 5 were confirmations that were addressed to PRC corporate customers, which had been deregistered under PRC laws and no longer exist.

Among the 87 account payable confirmations, 35 confirmations were not issued as the relevant corporate suppliers had been deregistered under PRC laws and no longer exist. The remaining 52 confirmations are related to suppliers with whom the Group had been engaged in litigation. Auditor conducted alternative procedures with the 52 confirmations by referencing to their claim amounts in the legal proceedings against the Group.

Auditor had performed alternative procedures to the 404 Confirmations including but not limited to (i) conducting a search through third party search platforms to confirm the addresses of the customers and suppliers; (ii) reviewing movements in the Group's ledger; (iii) reviewing the underlying contracts for the account payable or account receivable; (iv) reviewing the VAT invoices or supplier invoices; and (v) reviewing bank statements and bank-in/bank-out slips. Auditor had also interviewed 23 customers and suppliers who were selected randomly, of which 11 are customers and 12 are suppliers. Auditor had also performed surprise visits to customers' or suppliers' premises and had conducted surprise interviews with the corresponding persons as identified by the management of the Company.

As of the date of the Audited FY2021 Annual Results and the Audited FY2022 Annual Results, Auditor received 73 confirmations, of which 27 are account receivable confirmations and 46 are account payable confirmations.

(iii) *Offsetting arrangement of prepayments and accounts payable (“Offsetting Arrangement Matter”)*

Matter raised in the PwC Letter

“The Group had set off 13 prepayments to suppliers in the amount of RMB54 million against the balances of amounts payable to different suppliers at the end of 2021. The management of the Company explained that offsetting is required as the original labour supplier subcontracted the contracts to subcontractors and the original supplier will settle with the subcontractors.

PwC was provided with the tripartite offsetting agreement, but was not provided with all the required supporting documents such as the labour supply contract with the original labour supplier, subcontract agreement, labour invoice, bank payment slip, proof of labour service provided by the subcontractors and interviews with the relevant suppliers involved in the offsetting arrangements had not been arranged at the time.”

Responses and/or actions taken to address the Offsetting Arrangement Matter

Auditor had obtained and reviewed the relevant supporting documents for the set-off of the 13 prepayments to labour suppliers for various projects.

In these scenarios, the Group's indirect wholly-owned PRC subsidiary, Shenzhen Wenye Decoration Design Engineering Co., Ltd, (深圳文業裝飾設計工程有限公司) (“**Wenye Decoration**”) originally entered into labour contracts with various labour suppliers. Due to labour shortages, the engaged labour suppliers subcontracted the works to third party labour suppliers and pay them the contract sums directly, and such third party would issue invoices to Wenye Decoration directly.

The management of the Company has opted to streamline transaction costs and mitigate liquidity risk by facilitating direct payments between suppliers and subcontractors, as bypassing intermediary steps would reduce transaction costs and strengthens control over cash flow.

Direct coordination of payments between the labour suppliers and subcontractors can streamline the payment process and drive cost savings, and also enables the Company to address cash flow issues with more flexibility.

Auditor was provided with (i) the labour supply contract with the original labour supplier; (ii) the subcontract agreement; (iii) VAT/supplier invoices, bank statements and respective bank-out slips. Having reviewed the aforementioned, Auditor is satisfied that such set off arrangement is appropriate.

1. FULFILMENT OF RESUMPTION GUIDANCE

As disclosed in the announcements of the Company dated 20 July 2022, 9 January 2023 and 18 May 2023, at the request of the Stock Exchange, the resumption of trading in the Shares is subject to the fulfilment of the Resumption Guidance as follows:

- (i) publish all outstanding financial results and address any audit modifications;
- (ii) demonstrate compliance with Rule 13.24 of the Listing Rules;
- (iii) re-comply with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules;
and
- (iv) inform the market of all material information for shareholders and investors to appraise the Company's position.

The Board is pleased to announce that the Resumption Guidance has been fulfilled as at the date of this announcement, details of which are set out below:

Resumption Guidance (i) — publish all outstanding financial results and address any audit modifications

The Company had published the Audited FY2021 Annual Results, the Audited FY2022 Annual Results, the Unaudited FY2022 Interim Results and the Unaudited FY2023 Interim Results on 3 December 2023 and the corresponding annual and interim reports were published on 6 December 2023. The Company has published all outstanding financial results in compliance with the requirements of the Listing Rules.

Auditor has issued a disclaimer of opinion on the Audited FY2022 Annual Results (being the latest full financial year of the Company) in respect of the uncertainties relating to going concern (“**Audit Modification**”).

As disclosed in the Audited FY2022 Annual Results announcement, the Group incurred a loss of approximately RMB193,589,000 for the year ended 31 December 2022 and as of 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB768,224,000 and RMB771,479,000, respectively. The Group’s total bank and other borrowings amounted to approximately RMB36,222,000 and RMB98,371,000, respectively as of 31 December 2022 while its cash and cash equivalents amounted to approximately RMB344,000.

Based on the latest available management accounts, the aggregate outstanding principal amounts of bank and other borrowings in the book of the Group were approximately RMB28,794,000 and RMB109,337,000, 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 repayment on demand or within one year.

As of 3 December 2023, the Group was 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 cash outflow arising from above mentioned litigations amounted to approximately RMB35,292,000.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

During the preparation of Audited FY2022 Annual Results, the directors of the Company (“**Directors**”) had 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 had been actively negotiating with banks and other borrowers on extension of overdue bank borrowings and overdue other borrowings; (iii) the Group had been actively seeking potential new fundings through various channels, including but not limited to new financing in terms of issuance of new Shares and from potential investors and (iv) the Group had 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 the debt restructuring proposals outlined below.

The Audited FY2022 Annual Results have been prepared on a going concern basis, the validity of which depends on the outcome of the foregoing measures, which are subject to material uncertainties. The Auditor was unable to determine whether the going concern assumption used in the preparation of the Audited FY2022 Annual Results is appropriate.

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

Action plan to address the Audit Modification

Despite the fact that the Group had net current liabilities and net liabilities of approximately RMB768,224,000 and RMB771,479,000 respectively as of 31 December 2022, the Group's debts including bank borrowings, other borrowing and account payable are primarily owed by Wenye Decoration. The Company has not provided corporate guarantee for all the debts owed by Wenye Decoration or other members of the Group. As at the date of this announcement the corporate guarantee provided by the Company to members of the Group amounts to approximately RMB12.9 million only.

While the Group is actively negotiating with creditors to restructure the debts including extension of repayment term and/or reduction of principal and interest etc. ("**Debt Arrangement Negotiation**"), various means of reducing the Group's liabilities are available to the Company.

Firstly, the Company is in advanced negotiation with an independent investor who has agreed in principle to subscribe for new Shares in the total subscription amount of not less than RMB30 million at the then market price of the Shares after resumption of trading in the Shares ("**New Issue**"). The fresh funds from the New Issue are intended to be used as working capital of the Group for the new projects entered into by the Group. Back in July 2022, the Company announced entering into a subscription agreement with an independent investor for the subscription of Shares for a total subscription amount of approximately HK\$76 million. However, the subscription could not be completed by the long stop date and lapsed. In light of the Company's progress on complying with the Resumption Guidance and the need for fresh funds, the Company had been in negotiation with an independent investor in relation to the New Issue since around October 2023.

Secondly, depending on the progress and prospects of success in the negotiations with creditors, Wenye Decoration may apply to the PRC court for bankruptcy restructuring (“**Restructuring Scheme**”) under the PRC law. Upon successful implementation and completion of the Restructuring Scheme, the indebtedness of the Group would be significantly reduced and the financial position of the Group would be significantly improved.

Lastly, the Company may also wind up the indirect wholly-owned subsidiary holding interest in Wenye Decoration by way of member’s voluntary winding up (“**Winding Up Plan**”). Due to the legal doctrines of separate legal entities and limited liability to the shareholders of a limited company, those creditors of Wenye Decoration who do not have corporate guarantee from the Company will not have any recourse to the Company for the debts owed by Wenye Decoration. Implementation of the Winding Up Plan will result in deconsolidation of the assets and liabilities of Wenye Decoration from the Group, and liabilities of the Group will thereby substantially be reduced. It is intended that the Winding Up Plan and/or the Restructuring Plan would be implemented if the results of the Debt Arrangement Negotiation does not progress to the Company’s satisfaction. Since the Company is in complete control on whether and the timing to carry out the Winding Up Plan, and together with the fresh funds from the New Issue, the Audit Modification on going concern is not expected to have any continuing effect on the Group’s consolidated financial statements for the year ending 31 December 2024.

Based on the above, it is considered that Resumption Guidance (i) has been fulfilled.

Resumption Guidance (ii) — demonstrate compliance with Rule 13.24 of the Listing Rules

The Group’s subsidiary Wenye Decoration is a building decoration services provider incorporated in Shenzhen, Guangdong Province, the PRC. It was founded in 1989 and has been providing interior and exterior building decoration and design services in the PRC for over 34 years. The Group possesses numerous highest-level qualifications and licences in the building decoration industry, as well as an outstanding track record in the management and construction of complex large-scale public infrastructure and transport links. Over the years, the Group has participated in more than 2,000 projects as a contractor, with cumulative contract value of over RMB20 billion.

Industry standing and strengths of the Group

During the period between 2006 to 2021, Wenye Decoration has been listed on the List of the Comprehensive Data of the Chinese construction and decoration industry*(中國建築裝飾行業綜合數據統計名單), previously known as the “Top 100 Enterprises in the PRC Building Decoration Industry* (中國建築裝飾行業百強企業)”. Since December 2020, Wenye Decoration was certified as a “High and New Technology Enterprise* (高新技術企業)” by relevant PRC governmental authorities and has been enjoying a preferential enterprise income tax of 15%. The High and New Technology Enterprise* Certificate of Wenye Decoration has passed the preliminary review and is expected to be renewed in December 2023 and be valid for the subsequent 3 years.

Between 2022 and 2023, the Group was also awarded numerous accolades for its work which featured:

- The second bid section for the high quality decoration of the Qianhai Life Insurance Guangxi Hospital project won the 2022 Guangxi Construction Decoration Project Public Building Excellency Award.
- The third bid section of the Shenzhen International Convention and Exhibition Center (Phase I) decoration project won the 2021–2022 China Construction Engineering Public Building Decoration Award.
- The overall station decoration design and management services for the first phase of Hangzhou Metro Line 5 and the interior decoration design of the Ningxia Hui Autonomous Region Branch’s business and functional housing project of Bank of Communications Ningxia Branch won the 2021–2022 China Construction Engineering Public Building Decoration Award.
- The decoration project of Hilton Garden Inn Shenzhen Nanshan Science and Technology Park (guest room) won the 2022 Shenzhen Golden Roc Award for Public Building Decoration Engineering and the 2023 Guangdong Province Outstanding Building Public Building Decoration Engineering Award.
- The decoration and renovation project of the business building of the Hainan Branch of Bank of Communications Co., Ltd. won the bronze medal in the 13th China International Space Design Competition 2022.

In addition, in terms of research and development, the Group was granted five patents in 2022.

The adverse economic and operating environment over the past two years

However, since 2020 the PRC's economy has been adversely affected by the COVID-19 pandemic, which has led to numerous shutdowns and suspensions of domestic commercial activities. As the PRC government imposed strict precautionary and control measures (such as working from home, lockdown and travel restrictions, etc.), the Group's operations and businesses were greatly impeded. Further, the PRC real estate industry has been subjected to tremendous pressure as a result of macro-control policies and measures imposed by the PRC government. As an industry closely related to the PRC real estate industry, the building decoration industry has also been negatively affected.

Under such harsh economic environment, the Group had difficulty in collecting debts from its customers, and that greatly increased the Group's need of working capital. When the Group was unable to repay the borrowings to Bank of Shanghai which fell due in November 2021, it triggered a chain reaction and other banks successively tightened credit to the Group, refused to renew existing loans or issue letters of guarantee for the Group. As a result, the Group was unable to carry out business as normal. To ease its financial stress, on 11 July 2022 the Company announced that it had entered into a subscription agreement with an investor pursuant to which the investor conditionally agreed to subscribe for 118,800,000 new Shares at the aggregate subscription price of HK\$76,032,000 (equivalent to HK\$0.64 per Share) on and subject to the terms and conditions set out in the subscription agreement. However, owing to the fact that trading in the Shares had been suspended, the Company failed to fulfil the conditions precedent to the closing of the subscription, including the obtaining of the listing approval of the subscription shares, the subscription agreement lapsed on 31 July 2022.

Before the adverse impact of COVID-19 and the PRC government's macroeconomic control over the real estate sector, the Group continuously recorded revenue of over RMB1 billion for each of the financial years ended 31 December from 2016 to 2021 before the total revenue dropped to RMB378 million for the financial year ended 31 December 2022.

In light of the current circumstances, the Group considers it more prudent to adopt a more conservative business approach. The Group has greatly reduced its administrative and operating expenses by shrinking its personnel from 178 on December 2021 to 63 on October 2023. The personnel who left the Group were primarily engaged in administration, finance and marketing work, while the Group's core team comprising of constructors and project management personnel still remains with the Group to ensure that the Group's business operates as usual. The administrative expenses, marketing expenses and personnel expenses have also decreased from RMB73.8 million in 2021 to RMB38.4 million in 2022.

In the meantime, the Group will explore potential opportunities to increase its market share in the building decoration industry upon market resumption. During the year ended 31 December 2022, the Group was involved in 41 projects in the PRC, among which 35 were construction projects and 6 were design projects, with an aggregate amount of approximately RMB287.5 million. Since the beginning of 2023, the Group had signed up 10 projects with an aggregated contract sum of RMB170.7 million.

The following is a summary of the Group's existing projects/contracts as of 30 June 2023:

Total number of customers	Total number of contracts/projects	Total contract sum (RMB million)	Total contract sum completed (RMB million)	Total contract sum to be completed (RMB million)
71	75	657.4	547.2	110.2

The Group estimates that it would record a total revenue of approximately RMB75 million for the year ending 31 December 2023 and the total contract sum to be completed of RMB110.2 million set forth above will be recorded as revenue from 2024 onwards.

The Group's solutions

Further, the external and internal environment which led to the substantial drop in financial performance of the Group for the past two years are expected to improve in the coming future.

Externally, the PRC economy is expected to stabilize and bottom out in 2024–2025. According to data from China Business Intelligence Network (WWW.ASKCI.COM), the total output value of China's building decoration projects exceeded RMB5.5 trillion in 2022, with a five-year average CAGR (compound annual growth rate) of approximately 6.81%. Therefore, the domestic construction and decoration market in the PRC still has a large room for growth in the future, and the PRC government has also redefined the real estate market. It is recently noted that a lot of supporting policies have been introduced one after another. The recent easing of macroeconomic control and introduction of supporting policies have released positive signals to the market. And after three years of consolidation in the domestic decoration industry, there are not many first-tier players left in the market. The Group has survived the worst moment and as a leader in the industry it is envisaged that the Group will have a lot of scope of development and growth in the consolidated PRC decoration market.

Internally, over the past two years the Group was badly hit by the tightening of credits by banks and the freezing of Wenye Decoration's bank accounts caused by loan defaults and involvement in legal proceedings. The freezing of Wenye Decoration's bank accounts had impeded the Group's ability in bidding new projects. The Group has adopted a three-prong approach in resolving the issue, namely, (i) repayment and restructuring of bank loans; (ii) set up new subsidiaries to obtain accredited bank facilities for bidding new projects; and (iii) direct settlement arrangement with suppliers by customers.

(i) Repayment and restructuring of bank loans

In respect of settlement and extension of bank borrowings, as at the date of this announcement, the Group has repaid all the loans from Bank of Shanghai. The Group has formulated a plan to settle its overdue China Construction loan on 21 November 2023 and the plan is subject to endorsement of the arbitration tribunal. The settlement featured upfront repayment of principal of RMB4,000,000 and accrued interest in the amount of RMB332,331 followed by 11 monthly repayments of between RMB1,000,000 and RMB3,000,000 with the final repayment of RMB13,774,235.60 to be made on 21 November 2024. It is expected that it will take up to 2 months for the arbitration tribunal to endorse the settlement plan i.e. by end of January 2024. Save for the loan from China Construction Bank, the Group has no other bank borrowings as of the date of this announcement.

Wenye Decoration has maintained long-term friendly cooperation with both China Construction Bank and Shenzhen Minxinhui Financing Guarantee Co., Ltd.* (深圳市民信惠融資擔保有限公司) (“**Shenzhen Minxinhui**”). In the past, whereas China Construction Bank was unable to issue letter of guarantee of a certain credit limit, and China Construction Bank has granted higher credit limit to Shenzhen Minxinhui, Wenye Decoration could obtain letter of guarantee with a higher credit limit from Shenzhen Minxinhui instead.

In view of the Group reaching a consensus with China Construction Bank on loan repayment and after further negotiation, Shenzhen Minxinhui agreed to issue a letter of guarantee of up to RMB10 million for each single project to Wenye Decoration. According to industry practice in the PRC, decoration projects normally require security of up to 10% of the contract value only. Based on the past experience of the Group, there were only one or two single projects with contract value exceeding RMB100 million a year. With the new arrangement to issue letters of guarantee by Shenzhen Minxinhui, the Group's operation is expected to resume to normal following the revitalization of the real estate industry in the PRC with the noticeable ease of the control policies on the sector recently.

(ii) Set up of new subsidiaries to obtain new bank facilities

The Group has established two indirect wholly-owned subsidiaries in the PRC, namely, Longxinxin (Shenzhen) Technology Industrial Co., Ltd.* (龍新鑫(深圳)科技實業有限公司) and Shenzhen Longxin Supply Chain Service Co., Ltd.* (深圳市龍新供應鏈服務有限公司) (“**Longxin Supply Chain Service**”) for bidding new projects. The two newly formed subsidiaries are not affected by the lawsuits of Wenye Decoration. The two subsidiaries have reached cooperation arrangement with banks, and Shenzhen Minxinhui has issued letters of guarantee to the two subsidiaries for bidding of new project. As disclosed below, Longxin Supply Chain Service has recently won a new project in Xianjiang and Jieyang.

(iii) Direct settlement arrangement with suppliers by customers

Upon commencement and/or during early stages of most of its projects, the Group may/will have to make certain initial payments to its suppliers (i.e. for procurement of raw materials and supply of skilled workers, being the primary direct costs associated with the Group’s projects/contracts (the “**Direct Costs**”)), before the Group receives payments from its customers which are generally made by stages according to the progress of the projects or works completed by the Group at different stages, and the payment for each milestone may vary for each project. In view of the financial condition of the Group and the need to maintain its normal business operations, the Group has managed to reach verbal agreement with some of its customers to adopt a payment arrangement (when needed), pursuant to which the customers will pay, on behalf of the Group, the Direct Costs to the Group’s suppliers upon completion of various project stages after commencement of the projects (the “**Direct Costs Payment Arrangement**”). The Direct Costs Payment Arrangement, in turn, facilitates the Group in reaching verbal consensus with its suppliers, pursuant to which the Group can make payments to its suppliers (via the Direct Costs Payment Arrangement) as and when the related payments by the customers are made to the Group. Under such arrangement, the Group does not need to arrange additional financing to cover the Direct Costs.

New Projects

Going forward, the Group intends to expand the geographical reach of its award-winning decoration and design services to One Belt One Road locations. As announced by the Company on 10 August 2023, it entered into a memorandum of understanding with Xinjiang Kunlun Market Commercial Management Co., Ltd.* (新疆昆侖集市商業管理有限公司) (“**Xinjiang Kunlun**”) in relation to strategic co-operation over a 350 stores bazar located in Ürümqi, Xinjiang, the PRC. The Group will provide decoration and design services and Xinjiang Kunlun will leverage its experience in

the field to develop the bazar. More recently in November 2023, Longxin Supply Chain Service entered into a contract of RMB85 million with Xinjiang Kunlun for the decoration and design of bazars located in Xinjiang, the PRC (“**Xinjiang Bazars Project**”).

On 29 November 2023, Longxin Supply Chain Service entered into a renovation contract with Guangdong Art Construction Group Co., Ltd.* (廣東美工建設集團有限公司) as the main contractor for the internal and external renovation work of Jade Capital Plaza* (玉都廣場) in Rongcheng District, Jieyang City, Guangdong Province (“**Jade Capital Plaza Project**”) for a total contract sum of RMB70,000,000. Under the renovation contract the renovation work will commence on 25 December 2023 and end on 30 July 2024.

On 16 October 2023, the Group’s wholly-owned subsidiary Longxin Investment Holdings Limited (龍新投資有限公司) entered into a renovation contract with Widely Construction & Engineering Limited (偉力建築工程股份有限公司) for a total contract sum of HKD15,000,000 (“**Hong Kong Project**”).

As of the date of this announcement, including the Xinjiang Bazars Project, the Jade Capital Plaza Project and the Hong Kong Project, the Group has entered into projects with a total contract sum of approximately RMB169.1 million and the construction work for which is expected to be completed in the next 24 months.

Debt Restructuring Alternatives

As of 30 June 2023, the Group had total assets and total liabilities of approximately RMB299.7 million and RMB1,075.9 million, respectively. To improve its net liabilities position of the Group, the Group has been proactively negotiating with its creditors for extension of and more favorable payment terms including reduction of principal. As mentioned above, the Restructuring Scheme and the Winding Up Plan are available to the Group. Implementation of either or a combination of both will promptly and significantly redress the net current liabilities and net liabilities of the Group.

Following the resumption of trading in the Shares, the Company may issue new Shares for equity financing to strengthen its capital base and working capital. Apart from the New Issue, the Company has been in advanced discussion with other investors who have expressed interest in subscribing for new Shares after resumption of trading in the Shares. Further some creditors of the Group have expressed willingness to capitalize the amounts due to them by the Group in exchange for issuance of new Shares by the Company.

In the light of the above, the Company is of the view that Resumption Guidance (ii) has been fulfilled.

Resumption Guidance (iii) — re-comply with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules

The Company announced on 13 October 2023 the appointments of two INEDs, namely Mr. Huang and Ms. Lau. Mr. Huang has also been appointed a member of the audit committee of the Board (“**Audit Committee**”) and a member of the nomination committee of the Board (“**Nomination Committee**”). Ms. Lau has also been appointed a member of the Audit Committee and the chairperson of the remuneration committee of the Board (“**Remuneration Committee**”).

Following their appointments, the Board complies with the INED requirements under Rules 3.10(1) and 3.10A of the Listing Rules, the Audit Committee requirements under Rule 3.21, the Remuneration Committee requirements under Rule 3.25 and the Nomination Committee requirements under Rule 3.27A. The Company is of the view that Resumption Guidance (iii) has been fulfilled.

Resumption Guidance (iv) — inform the market of all material information for shareholders and investors to appraise the Company’s position

Since the suspension of trading in the Shares on 13 May 2022, the Company has, in accordance with the requirements of the Listing Rules, informed the market of the material information and the latest situation of the Company, amongst others, the status on fulfillment of the Resumption Guidance by publishing quarterly update announcements on resumption progress. The Company believes that there is no other undisclosed information that is material for the Company’s shareholders and other investors to appraise the Company’s position in accordance with the Listing Rules and other applicable regulatory requirements.

On the above basis, the Company is of the view that Resumption Guidance (iv) has been fulfilled.

2. RESUMPTION OF TRADING

For the reasons set out above, the Company is of the view that it has remedied all the matters causing the suspension of trading in the Shares, fulfilled all the requirements set out in the Resumption Guidance and fully complied with the Listing Rules to the Stock Exchange’s satisfaction.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 13 May 2022. As all the Resumption Guidance has been fulfilled, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange, with effect from 9:00 a.m. on 3 January 2024.

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, 2 January 2024

As at the date of this announcement, the Board 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.