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

ANNUAL REPORT
2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Shaozhou（范少周）
(Chairman and chief executive officer)
Mr. Wan Neng（萬能）
(Chief financial officer)
Ms. Huang Jin（黃瑾）
(Vice president and joint company secretary)

Non-Executive Directors

Mr. Lin Yongqi（林永琪）
Mr. Deng Guanghui（鄧光輝）
Mr. Chen Li（陳立）

Independent Non-Executive Directors

Ms. Huang Guiqing（黃桂清）
Mr. Liu Xiaoyi（劉曉一）
Mr. Liu Ziping（劉子平）

BOARD COMMITTEES

Audit Committee

Ms. Huang Guiqing（黃桂清）*(Chairman)*
Mr. Liu Ziping（劉子平）
Mr. Liu Xiaoyi（劉曉一）

Remuneration Committee

Mr. Liu Xiaoyi（劉曉一）*(Chairman)*
Ms. Huang Guiqing（黃桂清）
Mr. Fan Shaozhou（范少周）

Nomination Committee

Mr. Fan Shaozhou（范少周）*(Chairman)*
Ms. Huang Guiqing（黃桂清）
Mr. Liu Xiaoyi（劉曉一）

REGISTERED OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 105, Sha Zui Industrial Area
Fuqiang Road, Futian District
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Huang Jin（黃瑾）
Ms. Mak Po Man Cherie（麥寶文）
(ACCA, CPA, ACIS, ACS, MCG)

AUTHORISED REPRESENTATIVES

Mr. Fan Shaozhou（范少周）
Ms. Mak Po Man Cherie（麥寶文）

COMPLIANCE ADVISER

Fortune Financial Capital Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
Suite 702, 7th Floor
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F., Prince's Building
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KYI-9010
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

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

COMPANY'S WEBSITE

www.szwyzs.com.cn

STOCK CODE

1802

DEFINITION

"Board"	:	board of Directors
"Chenli Holdings"	:	Chenli Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and wholly-owned by Best On. Chenli Holdings is one of our Shareholders
"CG Code"	:	Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Company"	:	Wenye Group Holdings Limited
"Director(s)"	:	director(s) of the Company
"Fanshaozhou Holdings"	:	Fanshaozhou Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and wholly-owned by Modest Faith. Fanshaozhou Holdings is one of our Controlling Shareholders
"Group"	:	the Company and its subsidiaries
"Hong Kong"	:	the Hong Kong SAR
"Linyongqi Holdings"	:	Linyongqi Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and wholly-owned by Mr. Lin Yongqi. Linyongqi Holdings is one of our Shareholders
"Listing Rules"	:	Rules Governing the Listing of Securities and the Stock Exchange
"Model Code"	:	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NEEQ"	:	the National Equities Exchange and Quotations Co., Ltd.（全國中小企業股份轉讓系統）, a PRC over-the-counter system for trading shares of public companies
"PRC or China"	:	The People's Republic of China
"R&D"	:	research and development
"RSU Scheme"	:	restricted share unit scheme
"Stock Exchange"	:	Stock Exchange of Hong Kong Limited
"Wenye Decoration"	:	Shenzhen Wenye Decoration Design Engineering Co., Ltd

"Wenye Elite Holdings"	:	Wenye Elite Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 November 2018 and one of our substantial Shareholders
"Wenye BVI"	:	Wenye International Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 29 November 2018 and directly wholly-owned by our Company
"Wenye Talent Holdings"	:	Wenye Talent Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 1 November 2018 and one of our Shareholders

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Wenye Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I would like to present the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "Year").

The Group is a building decoration services provider incorporated in Shenzhen, Guangdong Province. The Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 14 January 2020.

FINANCIAL PERFORMANCE

The Group maintained a steadily increasing results during the Year. The revenue for the Year was RMB1,557.9 million, representing an increase of 8.1% as compared to that of 2018. The increase was mainly due to increase in revenue from public construction projects.

BUSINESS REVIEW AND OUTLOOK

During the Year, the Group undertook 384 new projects with a total contract amount of RMB1,559.0 million. As of 31 December 2019, the Company had 281 projects under construction, with the outstanding contract amount of RMB956.0 million.

As an established building decoration company, the group is bold to explore and improve its business areas and apply for new qualifications. In June 2019, we obtained a new Design, Construction and Maintenance Qualification Certificate (Level 4 Qualification), and in January 2020, the group obtained a new Certificate for General Contractor of Construction Works (Level 3 Qualification), by which the mandatory conditions for the Company to carry out business as a general contractor instead of a subcontractor were improved, bringing more possibilities and broader market space for the Company's future business.

The global economic growth is slowing down, and the expansion momentum is weakening. Escalating trade tensions and deteriorating financial conditions are the main risks that the economic prospect is facing with. In addition, after the outbreak of the coronavirus in early 2020, a series of preventive and control measures were implemented nationwide, which brought more uncertainty to the Group's business. The Group will pay close attention to the macroeconomic and the coronavirus, develop forward-looking business strategies, so as to proactively respond to changes in the external operating environment.

MARKET CONDITIONS

China is still in a period when urbanization, industrialization and marketization are developing rapidly in recent years, various favorable factors will promote the rapid developments of national economic and social development during this stage. Although the market size of China's building decoration market is constantly expanding, the number of companies in the entire market has shown a steady decrease. Low-qualified small enterprises undertaking retail renovations are gradually withdrawing from the market, while mid-to-high-end companies are developing rapidly.

Currently, the Group's business is mainly in the mainland China market. Listing of the Group on the main board of The Stock Exchange of Hong Kong Limited in early 2020 will increase its visibility at home and abroad. Therefore, the Group plans to proactively expand overseas markets and carry out strategic collaborations with large real estate companies, with a focus in developing residential decoration business.

CORPORATE AND RISK GOVERNANCE

The Group strictly complies with laws and regulations, and endeavors to facilitate the improvement of corporate governance through effective supervision by the board of directors and ad hoc review by the internal operating team, while strengthening daily work regulations and risk control management. The board of directors will continue to improve the corporate governance structure, standardize business operations, and strengthen regional and professional governance capabilities of business units, with the aim to improve management efficiency.

The Group establishes and improves risk management system by adhering to its overall business objectives. By developing risk management strategies, we implement basic processes for risk management in all aspects of operational management, coordinate information system, and organize functional system and internal control system, so as to achieve comprehensive risk management.

FINANCIAL MANAGEMENT

Adhering to the principle of prudence, the Group has been steadily expanding financing channels and innovative finance based on project requirements and the Group's own assets and liabilities levels. In addition to the original bank financing, the Group has promoted supply chain financing and accelerated the Group's cash turnover. After deducting the listing expenses incurred by the Group for the global offering, the Group's net proceeds were HK$107.4 million. The Group will make use of the funds raised in accordance with the provisions on management of the funds raised.

The Group was awarded the "AAA" credit rating certificate in 2019, and the certificate on "contract-honoring and credit-honoring" company in Guangdong Province for twelve consecutive years in 2019.

The global spread of coronavirus in 2020 will bring uncertainty to the Group's operating environment in 2020, and will have a negative impact on the Group's accounts receivable.

TECHNOLOGICAL INNOVATION

The Group continued to maintain the momentum of R&D and innovation. In 2019, we obtained five patents for utility models and one design patent, and applied for three patents for utility models, three invention patents and one design patent. In March 2019, we obtained one item of copyright for computer software.

MAJOR AWARDS

In June 2019, in the Ninth China International Space Design Competition hosted by the China Building Decoration Association, the Interior Decoration Design for the Renovation Project of 18F Shenzhen Microsoft Ketong Building（深圳市微軟科通大廈18F裝修工程室內裝飾設計）undertaken by the Group won the Gold Award of the Ninth China International Space Design Competition (China Building Decoration Design Award)（第九屆中國國際空間設計大賽（中國建築裝飾設計獎）金獎）.

In July 2019, the Interior Fine Decoration Work for Xianning Xiangcheng Quandu International Hotel (First Tender Section)（咸寧香城泉都國際大酒店室內精裝修工程（一標段））undertaken by the Group won the National Building Decoration Industry Science and Technology Demonstration Work Award（全國建築裝飾行業科技示範工程獎）issued by newspaper office of China Construction News.

In September 2019, the Zhejiang Hospital Branch Relocation Work – Zhejiang Geriatric Medical Center Project（浙江醫院分院遷建工程-浙江省老年醫療中心項目）undertaken by the Group won the 2019 Excellent Building Decoration Project (Category of Public Building Decoration) in Zhejiang Province（2019年浙江省優秀建築裝飾工程（公共建築裝飾類））issued by the Zhejiang Building Decoration Industry Association. In the same month, the Interior Decoration Design for Ningbo Eastern New Town A2-26 Land Project (the New Operation Premises of the Bank of Communications Co., Ltd. Ningbo Branch)（寧波市東部新城A2-26地塊工程（交通銀行股份有限公司寧波分行本部新營業用房）室內裝飾設計）undertaken by the Group was awarded the 2019 Excellent Building Decoration Design in Zhejiang Province (Category of Public Building Decoration Design)（2019年浙江省優秀建築裝飾設計（公共建築裝飾設計類））issued by the Zhejiang Building Decoration Industry Association.

In December 2019, the Chongqing Technology and Business University Comprehensive Training and Documentation Information Center, Academic Lecture Hall and Garage Work（重慶工商大學綜合實訓與文獻信息中心、學術報告廳及車庫工程）and Guangxi Financial Plaza（廣西金融廣場）undertaken by the Group won the China Construction Work Luban Award（中國建設工程魯班獎）. In the same month, the Zhejiang Hospital Branch Relocation Work – Zhejiang Geriatric Medical Center Project（浙江省醫院分院遷建工程一浙江省老年醫療中心項目）, the Partial Fine Renovation of Cultural Venues of Tianjin Binhai New Area Cultural Center (Phase 1) Project (Sixth Tender Section)（天津市濱海新區文化中心（一期）專案文化場館部分精裝修（六標段））and the Shenzhen Talents Anju Group's Headquarters Office Fine Decoration Work（深圳市人才安居集團總部辦公室精裝修工程）undertaken by the Group won the China Building Decoration Award (Public Building Decoration)（中國建築裝飾獎（公共建築裝飾類））.

BUSINESS STRATEGIES

1. expand our core business through continued investments in our projects.

2. optimise our sales network to further increase our revenue. We intend to enhance the business capabilities of existing branch offices based on the strategic locations of particular branch offices, enlarge office space, expand and deepen the operation of local business of the branch offices.

3. recruit talent to increase our capacity and improve our competitiveness, strengthen the introduction and training of professional and technical personnel, so as to improve service capabilities and competitiveness.

4. upgrade our information technology systems to modernise our operations. We intend to upgrade systems such as office software automation, human resources management, procurement management and building information modeling system, so as to improve the efficiency of the sales, design and project construction teams.

5. enter into strategic partnerships and make strategic equity investments to drive long-term growth, reduce costs and strengthen controls.

APPRECIATION

On behalf of the board of directors, I would like to extend my sincere gratitude to our business partners and listing intermediaries for their strong supports and to all staff members for their hard work.

Fan Shaozhou
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group is a building decoration services provider based in Shenzhen, Guangdong Province. With approximately 30 years of operating history, 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 industrial buildings, public infrastructure, commercial buildings and residential buildings.

The Group maintained a steadily increasing results during the Year. The revenue for the Year was RMB1,557.9 million, representing an increase of 8.1% as compared to that of 2018. The gross profit margin increased from 11.4% to 12.0% for the Year, representing an increase of approximately 5.3%. Throughout 2019 the Group has signed 384 projects with total contract value (including tax) of RMB1,559.0 million. As at the 31 December 2019, the Group has 281 ongoing projects and the value of unrecognized revenue from outstanding contracts was approximated RMB956.0 million.

During review, the Group showed satisfactory performance and received a number of awards, including China Construction Engineering and Decoration Award（中國建築工程裝飾獎）, China Construction Engineering Luban Prize（中國建設工程魯班獎）, Ninth China International Space Design Competition – Golden Award（中國國際空間設計大賽金獎）, 2019 National Construction Decoration Industry Technology Demonstration Award（2019年全國建築裝飾行業科技示範工程獎）, National Construction Decoration Industry Scientific and Technology Innovation Award（全國建築裝飾行業科技創新成果獎）. The Group continued to maintain the momentum of research and development. During the 2019, the Group has obtained five patents for utility models, one design patent and one software copyright.

Looking ahead, given the challenges in the global economic outlook, the Group is prepared to continue adopt the following strategies:

1. Expand our core business through continued investments in our projects.

2. Optimize our sales network to further increase our revenue. Based on the strategic locations of particular branches, we intend to enhance the capabilities of existing branches by enlarging office space, increasing headcount and expanding our sales team in the respective branch offices.

3. Recruit talent to increase our capacity and improve our competitiveness. We intend to expand our roster of project managers, designers and research and development personnel to improve our service capacity and competitiveness.

4. Upgrade our information technology systems to modernise our operations. We intend to upgrade our systems for office software automation, human resource management, procurement management and building information modelling, thus improving the efficiency of our sales, design and project implementation teams.

5. We plan to enter into strategic partnerships and make strategic equity investments to drive long-term growth in order to reduce cost and improve control.

ENVIRONMENTAL POLICY

The Group has set up its environmental management system and formulated environment objectives and target for preventing environmental pollution, reducing construction wastes and minimizing the consumption of natural resources. The Group endeavors to review our environmental policies and continually improve its environmental performance.

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			
	2019		2018	
	RMB million	**%**	RMB million	%
Revenue from construction contracts	**1,533.5**	**98.4**	1,403.1	97.4
Design service income	**24.4**	**1.6**	37.7	2.6
Total	**1,557.9**	**100**	1,440.8	100

The Group's revenue increased to approximately RMB1,557.9 million for the year ended 31 December 2019 from approximately RMB1,440.8 million for the year ended 31 December 2018, representing an increase of approximately 8.1%. Such increase was mainly due to the an increase in revenue from projects relating to public infrastructure from RMB300.4 million for the year ended 31 December 2018 to RMB395.1 million for the year ended 31 December 2019.

Cost of sales

The cost of sales of the Group increased to approximately RMB1,371.0 million for the year ended 31 December 2019 from approximately RMB1,277.1 million for the year ended 31 December 2018, representing an increase of approximately 7.4%. The increase was mainly attributed to increase in raw materials and consumables used, remuneration paid or payable to the work forces which were in line with more projects undertaken by the Group during the year ended 31 December 2019.

Gross profit and gross profit margin

The gross profit of the Group increased to approximately RMB186.9 million for the year ended 31 December 2019 from approximately RMB163.7 million for the year ended 31 December 2018, representing an increase of approximately 14.2%. The increase is in line with the increase in revenue. Our gross profit margin increased to 12.0% for the year ended 31 December 2019 mainly due to the generally higher gross profit margin from projects commenced in 2019.

Other income

The Group recorded other income of approximately RMB11.8 million for the year ended 31 December 2019 which mainly comprised rental income from investment properties, government grants and compensation from lawsuit.

Other losses, net

Other losses, net of the Group increased from approximately RMB0.5 million for the year ended 31 December 2018 to approximately RMB3.9 million for the year ended 31 December 2019, which mainly comprised penalty of lawsuit.

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 increased to approximately RMB8.4 million for the year ended 31 December 2019 from approximately RMB7.0 million for the year ended 31 December 2018, representing an increase of 20.0%. The increase was primarily due to the increase in employee benefit expenses in line with increase in sales.

General and administrative expenses

The general and administrative expenses of the Group primarily consist of employee benefit expenses, legal and professional fees and depreciation of property, plant and equipment, investment properties and right-of-use assets.

The general and administrative expenses increased to approximately RMB60.5 million for the year ended 31 December 2019 from approximately RMB49.0 million for the year ended 31 December 2018, representing an increase of approximately 23.5%. The increase was mainly attributed to the increase in non-recurring listing expenses of approximately RMB7.0 million and the increase in legal and professional fee of approximately RMB5.7 million.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets increased by 145.6% from approximately RMB22.6 million for the year ended 31 December 2018 to approximately RMB55.5 million for the year ended 31 December 2019. The increase of the net impairment losses on financial and contract assets primarily due to the provision for impairment of trade receivable which the balance is due for over 3 years.

Net profit and adjusted net profit

Profit for the year of the Group decreased by 33.8% from approximately RMB60.1 million for the year ended 31 December 2018 to approximately RMB39.8 million for the year ended 31 December 2019. If the non-recurring listing expenses were excluded, the adjusted net profit of the Group for the year ended 31 December 2019 would be revised to approximately RMB52.8 million, representing an decrease of approximately 20.6%, comparing with the adjusted net profit of the Group for the year ended 31 December 2018.

Financial position, liquidity and financial resources

Trade and other receivable

The trade and other receivables increased from approximately RMB862.4 million as of 31 December 2018 to approximately RMB1,106.2 million as of 31 December 2019, representing an increase of 28.3%. The trade receivables are the amounts due from customers.

Trade and other payable

The trade and other payable increased by 29.4% from approximately RMB794.8 million as of 31 December 2018 to approximately RMB1,028.2 million as of 31 December 2019. The trade payables are the amounts due to suppliers.

Bank Borrowings

As of 31 December 2019, the Group had borrowings of approximately RMB183.2 million (31 December 2018: approximately RMB110.7 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB170.0 million of the bank borrowings are repayable within 1 year. Bank borrowings were secured and guaranteed by the Group's land and building, trade receivable, a related company, certain properties owned by certain shareholders and related parties of the Group and limited personal guarantee executed by certain shareholders. Such guarantees from shareholders and related parties, and properties owned by certain directors and shareholders of the Group as the security were in process of release as at the date of this annual report due to the postponement of work resumption with the effect of COVID-19 outbreak. Considering the Group has obtained the confirmations from related bank, our Directors believe that there is no substantial obstacles to release the Guarantees.

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 2019, the Group has cash and cash equivalents of approximately RMB46.7 million (31 December 2018: approximately RMB87.2 million). The Group's current ratio and gearing ratio are as follows:

	31 December 2019	31 December 2018
Current ratio	**1.27**	1.33
Gearing ratio	**38.3%**	17.4%

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, reflect 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 2019.

Capital commitments

As at 31 December 2019, the Group had no capital commitment.

Contingent liabilities

As at the date of this report, the material contingent liability for the Group is approximately RMB9.3 million which is due to the dispute with construction workers. Wenye Decoration subcontracted certain construction works to the Subcontractor, which in turn engaged Other Subcontractors to perform the work, while the Other Subcontractors further engaged the construction workers who provide services.

The directors considered that 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.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows.

RESULTS

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,557,914**	1,440,788	1,266,783	1,245,922
Profit before tax	**59,340**	83,141	76,719	63,234
Income tax expense	**(19,508)**	(23,053)	(20,258)	(17,354)
Profit for the year	**39,832**	60,088	56,461	45,880

ASSETS AND LIABILITIES

	As at 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	**176,082**	152,168	174,034	163,072
Current assets	**1,646,956**	1,316,967	1,117,716	1,037,839
Total assets	**1,823,038**	1,469,135	1,291,750	1,200,911
Equity and liabilities				
Total equity	**474,753**	440,867	378,679	259,218
Non-current liabilities	**47,068**	38,880	44,015	47,833
Current liabilities	**1,301,217**	989,388	869,056	893,860
Total liabilities	**1,348,285**	1,028,268	913,071	941,693
Total equity and liabilities	**1,828,038**	1,469,135	1,291,750	1,200,911

Note:

The summary of the consolidated results of the Group for each of the three years ended 31 December 2016, 2017 and 2018 and of the assets, equity and liabilities as at 31 December 2016, 2017 and 2018 have been extracted from the prospectus of the Company dated 31 December 2019. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is prepared on the basis as set out in Note 1.3 to the audited consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fan Shaozhou（范少周）, aged 52, is the chairman, executive Director and chief executive officer of our Group. He is responsible for the overall management, strategic planning and decision-making of our Group.

Mr. Fan has over 25 years of experience in the decoration and design engineering industry. He joined our Group in January 1993 and he served as a project manager of Shenzhen Wenye Decoration Design Engineering Co., Ltd（深圳文業裝飾設計工程有限公司）("Wenye Decoration") from January 1993 to October 1996. Subsequently, he served as the manager of Ji'nan branch company of Wenye Decoration from October 1996 to October 2006. From October 2006 to September 2008, Mr. Fan served as the deputy general manager of Wenye Decoration. After that, prior to the prior to the listing of the shares of Wenye Decoration on the NEEQ in April 2016 (the "NEEQ Listing"), Mr. Fan served as a director and the general manager of Wenye Decoration from September 2008 to September 2015. In preparation of the NEEQ Listing, Wenye Decoration converted into a joint stock company in September 2015 and Mr. Fan was appointed as a director and the general manager of Wenye Decoration. During the NEEQ Listing, Mr. Fan was appointed as the chairman of the board of directors of Wenye Decoration in November 2016. After the NEEQ De-Listing and conversion to a limited liability company, in November 2018, Mr. Fan ceased to be the director and chairman of the board of directors of Wenye Decoration and has been acting as the sole executive director and general manager of Wenye Decoration since then. From the incorporation of our Company in November 2018 to March 2019, Mr. Fan acted as the sole director of our Company, and since March 2019, Mr. Fan has been acting as our executive Director, chief executive officer and chairman of the Board.

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

Mr. Wan Neng（萬能）, aged 54, is our executive Director and chief financial officer. He is responsible for overseeing financial management and formulating financial strategies of our Group.

Mr. Wan has extensive experience in financial management. Mr. Wan joined our Group in January 2006. From January 2006 to September 2013, Mr. Wan served as the deputy general manager of the finance department of Wenye Decoration. From September 2013 to September 2015, Mr. Wan served as the general manager of the finance department of Wenye Decoration. From September 2015 to November 2018, Mr. Wan served as a director of Wenye Decoration. In addition, Mr. Wan has been acting as the chief financial officer of Wenye Decoration since September 2015. Mr. Wan has been acting as our executive Director and chief financial officer since March 2019. Prior to joining our Group, from May 1989 to October 1999, Mr. Wan served as a financial manager of Shenzhen Xili Hotel（深圳市西麗大酒店）. From November 1999 to May 2003, he served as the general manager assistant and head of the finance department of Shenzhen New Entertainment Company Limited（深圳市新歡樂園娛樂有限公司）(currently known as Shenzhen New Entertainment Property Lease Co., Ltd.（深圳市新歡樂園物業租賃有限公司）). From June 2003 to December 2005, Mr. Wan served as the general manager assistant and head of finance department of Shenzhen Xili Hu Resort（深圳市西麗湖度假村）(currently known as Shenzhen Xili Hu Resort Co., Ltd.（深圳市西麗湖度假村有限公司）).

Mr. Wan received his bachelor's degree in Economic Administration from Party School of the Guangdong Provincial Committee of Communist Party of China（中共廣東省委黨校）in December 2000.

Ms. Huang Jin（黃瑾）, aged 40, is our executive Director, vice president and one of our joint company secretaries. She is responsible for overseeing administrative and corporate secretarial affairs of our Group.

Ms. Huang has been acting as our executive Director, vice president and one of our joint company secretaries since March 2019. Ms. Huang joined our Group in June 2016 and served as the secretary of the board of directors of Wenye Decoration from June 2016 to November 2018. In the meantime, Ms. Huang has been acting as the supervisor of Yun Tu Hou Pu Asset Management (Shenzhen) Co., Ltd.（雲圖厚樸資產管理（深圳）有限公司）since January 2016. Prior to that, from June 2015 to May 2016, Ms. Huang served as the secretary of the board of directors of Shenzhen Wan Cheng Energy Saving Co., Ltd.（深圳萬城節能股份有限公司）. From July 2014 to May 2015, Ms. Huang served as the deputy general manager of Shenzhen Xin Yuan Tong Electronic Co., Ltd.（深圳市鑫源通電子有限公司）. From August 2011 to June 2014, Ms. Huang served as the secretary of the board of directors, chairman's assistant and the principal of the general manager's office of Shenzhen Ultrapure Environmental Technology Co., Ltd（深圳市超純環保股份有限公司）, a company whose shares have been listed on the NEEQ since October 2015 (NEEQ: 833786). From February 2004 to July 2011, Ms. Huang held various positions, including commercial specialist, public relationship manager and representative of securities affairs, in Joincare Pharmaceutical Group Industry Co., Ltd.（健康元藥業集團股份有限公司）, a company whose shares have been listed on the Shanghai Stock Exchange since June 2001 (SH: 600380). From August 2002 to January 2004, Ms. Huang served as a secretary of Chengdu Tian He Hong Ye Science Co., Ltd.（成都天合宏業科技有限公司）.

Ms. Huang graduated from Sichuan University School of Chemistry（四川大學化工學院）in July 2002.

NON-EXECUTIVE DIRECTORS

Mr. Lin Yongqi（林永琪）, aged 48, is our non-executive Director. He is responsible for providing strategic advice and guidance on the business development of our Group. Mr. Lin has more than 21 years of experience in the decoration and engineering industry. Mr. Lin joined our Group in April 2016 and acted as a director of Wenye Decoration, the vice chairman of the board of directors of Wenye Decoration, and the deputy general manager of Wenye Decoration from July 2016 to November 2018, November 2016 to November 2018 and November 2016 to November 2018, respectively. Prior to joining our Group, Mr. Lin served as the project manager in Shenzhen Gaoli Fire Engineering Company Limited（深圳市高力消防工程有限公司）(currently known as Gaoli Construction Group Company Limited（高力建設集團有限公司）) from August 1997 to February 2003. From March 2011 to September 2013, Mr. Lin served as an executive director and the general manager of Shenzhen Long Ren Investment Co., Ltd.（深圳市隆仁投資有限公司）(currently known as Shenzhen Zhong Jia Group Co., Ltd.（深圳市中嘉集團有限公司）), a company primarily engaged in real estate development and brokerage; and has been acting as the supervisor of such company since March 2018. In addition, Mr. Lin acted as an executive director in Shenzhen Xiangrunyuan Industrial Company Limited（深圳翔潤源實業有限公司）, a company primarily engages in industrial investment and domestic trading, from March 2003 to March 2018; and has been acting as the supervisor of such company since March 2018.

Mr. Lin received his diploma in information management and information system from Northwestern Polytechnical University（西北工業大學）in July 2007.

Mr. Deng Guanghui（鄧光輝）, aged 53, is our non-executive Director. He is responsible for providing strategic advice and guidance on the business development of our Group.

Mr. Deng joined our Group in August 2003. From August 2003 to February 2012, Mr. Deng served as the head of general office of Wenye Decoration. From February 2012 to April 2013, Mr. Deng served as the general manager of corporate management department of Wenye Decoration. From April 2013 to September 2013, Mr. Deng served as the general manager of marketing centre of Wenye Decoration. From September 2013 to September 2014, Mr. Deng served as the general manager of administrative management centre of Wenye Decoration. From September 2014 to September 2015, Mr. Deng served as the general manager of marketing centre as well as the vice president of Wenye Decoration. Mr. Deng has been acting as the supervisor of Wenye Decoration since September 2006. Prior to joining our Group, from October 1989 to June 2003, Mr. Deng served as the general manager of corporate management department and the vice general manager of engineering department of Shenzhen Xili Hu Resort（深圳市西麗湖度假村）(currently known as Shenzhen Xili Hu Resort Co., Ltd.（深圳市西麗湖度假村有限公司）).

Mr. Deng received his bachelor's degree in Economic Administration from Party School of Guangdong Provincial Committee of Communist Party of China（中共廣東省委黨校）in December 1998.

Mr. Chen Li（陳立）, aged 59, is our non-executive Director. He is responsible for providing strategic advice and guidance on the business development of our Group.

Mr. Chen has more than 24 years of experience in the decoration and engineering industry. Mr. Chen joined our Group in January 1994. From January 1994 to September 2001, he served as a project manager in Wenye Decoration. Subsequently, He acted as the branch manager in Wuhan branch of Wenye Decoration from September 2001 to April 2013. Mr. Chen then served as a vice president of Wenye Decoration from April 2013 to September 2015. From September 2015 to July 2016, Mr. Chen served as a director of Wenye Decoration. Mr. Chen served as general manager of first business department from June 2016 to May 2017. Mr. Chen has been serving as the project manager of Wenye Decoration since June 2017. Apart from his positions in our Group, Mr. Chen is currently acting as a vice chairman of the board of directors of Wuhan Naite Information Technology Co., Ltd.（武漢奈特信息技術有限公司）; as a director of Shanghai Mingrui Financial Leasing Co., Ltd.（上海明銳融資租賃有限公司）; as a director of Shanghai Delong Commercial Factoring Co., Ltd.（上海德礱商業保理有限公司）; and as the supervisor of Wuhan Shenjian Construction Decorative Design Co., Ltd.（武漢深建建築裝飾設計工程有限公司）.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Huang Guiqing (黃桂清), aged 56, is our independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. She is responsible for supervising our Board and providing independent judgment to our Group.

Ms. Huang has over 30 years of experience in auditing and financial management. From December 1980 to December 1992, Ms. Huang served as the head of financial department of Jiangxi Shangrao Woolen Textiles Co., Ltd. (江西上饒毛紡織品有限公司). From January 1993 to December 1996, Ms. Huang served as the vice president of the financial department of Shangrao Sanqing Industrial Development Co., Ltd. (上饒三清實業發展有限公司). From January 1997 to December 1999, Ms. Huang served as the deputy general manager and financial director of Shangrao Wanli Industrial Co., Ltd. (上饒市萬力實業有限公司). From January 2000 to December 2000, Ms. Huang was a shareholder of Jiangxi Shangrao Huaxin Accounting Firm Co., Ltd. (江西上饒華信會計師事務所有限公司) and was a shareholder of Jiangxi Yonghua Hexin Accounting Firm Co., Ltd. (江西永華和信會計師事務所有限公司) from January 2001 to August 2003. From January 2003 to March 2007, Ms. Huang served as the deputy manager of financial department of Shenzhen Hezheng Real Estate Group Co., Ltd. (深圳市合正房地產集團有限公司). From April 2007 to June 2017, Ms. Huang served as the financial director of Dongguan Xingfu Huayuan Development Co., Ltd. (東莞幸福花苑開發有限公司). From July 2017 to December 2018, Ms. Huang served as the vice director of financial department of Shenzhen Hezheng Hospital (深圳合正醫院), currently known as Shenzhen Hezheng Hospital (深圳禾正醫院). Ms. Huang has been acting as a partner of Shenzhen Minsheng Accounting Firm (General Partnership) (深圳民生會計師事務所(普通合夥)) since March 2010.

Ms. Huang received her diploma in accounting from Jiangxi Open University (江西廣播電視大學) in July 1986. Ms. Huang obtained the qualification of Chinese Certified Public Accountant in August 1999.

Mr. Liu Xiaoyi (劉曉一), aged 68, is our independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is responsible for supervising our Board and providing independent judgment to our Group. Mr. Liu has extensive experience in the decoration and engineering industry. He is currently an independent non-executive director in a number of decoration and engineering companies in China including Shenzhen Jianyi Decoration Group Company Limited (深圳市建藝裝飾集團股份有限公司), a company whose shares have been listed on the Shenzhen Stock Exchange since March 2016 (SZ:002789), Shenzhen Weiye Decoration Group Company Limited (深圳市維業裝飾集團股份有限公司), a company whose shares have been listed on the Shenzhen Stock Exchange since March 2017 (SZ: 300621), Zhejiang Ya Xia Decoration Company Limited (浙江亞廈裝飾股份有限公司), a company whose shares have been listed on the Shenzhen Stock Exchange since March 2010 (SZ:002375), Decai Decoration Company Limited (德才裝飾股份有限公司) and SDCIC Construction Group Co., Ltd. (深裝總建設集團股份有限公司). In addition, Mr. Liu also acts as a director of Zhongzhuang Xinwang Technology (Beijing) Co., Ltd. (中裝新網科技(北京)有限公司) and the chairman of board of supervisors of Tian Zhu Culture Investment Co., Ltd. (天築文化投資股份有限公司).

In addition, apart from his current position in the above listed companies, Mr. Liu had served as independent non-executive director in a number of decoration and engineering companies in the past, including Shenzhen Jian Zhuang Ye Group Company Limited (深圳市建裝業集團股份有限公司), a company whose shares have been listed on the NEEQ since April 2015 (NEEQ: 832219), Suzhou Kelida Decoration Company Limited (蘇州柯利達裝飾股份有限公司), a company whose shares have been listed on the Shanghai Stock Exchange since February 2015 (SH: 603828), and Shenzhen Meizhi Decoration Design Engineering Company Limited (深圳市美芝裝飾設計工程股份有限公司), a company whose shares have been listed on the Shenzhen Stock Exchange since March 2017 (SZ: 002856). Mr. Liu had also been a technician in China Construction Second Bureau Second Company (中建二局二公司) and a project manager in China Construction Corporation. Over the years, he had also served as the office manager in China Construction Second Bureau Foreign Project Management Office as well as the chairman, general manager and party secretary in China Building Decoration Company.

Mr. Liu received his bachelor's degree in architecture from South China University of Technology (華南理工大學) (formerly known as South China Institute of Technology (華南工學院)) in July 1980.

Mr. Liu Ziping (劉子平), aged 44, is our independent non-executive Director and a member of the Audit Committee. He is responsible for supervising our Board and providing independent judgment to our Group. Mr. Liu worked in Sun Lawyers (廣東國暉律師事務所) from May 2005 to August 2007 as a practicing attorney. He then served as an associate, partner and deputy director in Guangdong Zhuojian Law Firm (廣東卓建律師事務所) since September 2007. Mr. Liu has been an independent director of Joincare Pharmaceutical Group Industry Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (SH: 600380), from June 2007 to July 2013 as well as an independent director in Shenzhen Kexin Communication Technologies Company Limited (深圳市科信通信技術股份有限公司), a company listed on the Shenzhen Stock Exchange (SZ: 300565), from September 2012 to October 2018. Mr. Liu received his bachelor's degree in law from the National Prosecutors College (國家檢察官學院) of the PRC in July 2000.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the Group's business during this year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's financial key performance, particulars of important events affecting the Group during this year, and an indication of likely future developments in the Group's business that has a significant impact on the Company, an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends, can be found in the section headed "Management Discussion and Analysis" set out on pages 10 to 14 of this annual report.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2019 and the financial information of the Group as of 31 December 2019 are set out in the consolidated income statements on page 52 of this annual report.

The board of directors of the Company (the "Board") does not recommend the payment of any final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2019 AGM") is scheduled to be held on 23 June 2020. A notice convening the 2019 AGM will be issued and sent to the shareholders in April 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 June 2020 to 23 June 2020, both days inclusive, during which period no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2019 AGM to be held on Tuesday, 23 June 2020, non-registered shareholders must lodge all completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 17 June 2020.

USE OF PROCEEDS

On 14 January 2020 (the "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.

Up to the date of this report, the amount of the Net Proceeds which has remained unutilised amounted to approximately HK$66.5 million (equivalent to approximately RMB59.3 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 and unutilized amount of the Net Proceeds as at the date of this report:

		Original allocation of Net Proceeds HK$ million	**Revised allocation of Net Proceeds** HK$ million	**Utilised amount (as at the date of this report)** HK$ million	**Unutilised amount (as at the date of this report)** HK$ million
Fund the Group's capital needs and cash flow under its existing and expected projects	61.2%	80.2	65.7	29.3	36.4
Hiring of additional project managers and designers	8.1%	10.6	8.7	–	8.7
Improvement of the existing branch offices	20.9%	27.4	22.5	1.1	21.4
General working capital	9.8%	12.9	10.5	10.5	–
	100%	**131.1**	**107.4**	**40.9**	**66.5**

SHARES ISSUED IN THE YEAR

Details of the shares issued in this year are set out in Note 23 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Details of the movements during this year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 55 of this report.

As at 31 December 2019, the Company's reserves available for distribution to the shareholders amounted to approximately RMB300.4 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 15 of this annual report.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2019 are set out in Note 27 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the group

The financial risk management objectives and policies of the Group are set out in Note 3 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2019 are set out in Note 4 to the consolidated financial statements.

DONATIONS

No charitable and other donations made by the Group during this year.

RSU SCHEME

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

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

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

As at 31 December 2019, no RSU has been granted by our Company pursuant to the RSU Scheme.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS

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

Executive Directors

Mr. Fan Shaozhou (范少周) *(Chairman and chief executive officer) (Appointed on 13 November 2018)*
Mr. Wan Neng (萬能) *(Chief financial officer) (Appointed on 13 March 2019)*
Ms. Huang Jin (黃瑾) *(Vice president and joint company secretary) (Appointed on 13 March 2019)*

Non-executive Director

Mr. Lin Yongqi (林永琪) *(Appointed on 13 March 2019)*
Mr. Deng Guanghui (鄧光輝) *(Appointed on 13 March 2019)*
Mr. Chen Li (陳立) *(Appointed on 13 March 2019)*

Independent Non-Executive Directors (the "INEDs")

Ms. Huang Guiqing (黃桂清) *(Appointed on 21 December 2019)*
Mr. Liu Xiaoyi (劉曉一) *(Appointed on 21 December 2019)*
Mr. Liu Ziping (劉子平) *(Appointed on 21 December 2019)*

The biographical details of the Directors are disclosed the section headed "Biographies of Directors and Senior Management" on pages 16 to 20 in this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Fan Shaozhou, Mr. Wan Neng and Ms. Huang Jin, being our executive Directors, and Mr. Lin Yongqi, Mr. Deng Guanghui and Mr. Chen Li, being our non-executive Directors, has entered into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Directors and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

During this year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during this Year are disclosed in Note 32 to the Consolidated Financial Statements. The related party transactions disclosed in Note 32 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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

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

Name of Director	**Capacity/Nature of interest**	**Relevant company**	**Number of shares** *(Note 1)*	**Approximate percentage of issued share capital** *(Note 2)*
Mr. Fan Shaozhou	Founder of a discretionary trust	Fanshaozhou Holdings *(Note 3)*	223,905,150	37.69%
Mr. Wan Neng	Interest in a controlled corporation	Wenye Talent Holdings *(Note 4)*	4,499,712	0.76%
Ms. Huang Jin	Interest in a controlled corporation	Wenye Talent Holdings *(Note 5)*	7,198,848	1.22%
Mr. Lin Yongqi	Interest in a controlled corporation	Linyongqi Holdings *(Note 6)*	19,260,000	3.24%
Mr. Deng Guanghui	Interest in a controlled corporation	Wenye Elite Holdings *(Note 7)*	11,997,950	2.02%
Mr. Chen Li	Founder of a discretionary trust	Chenli Holdings *(Note 8)*	19,350,000	3.26%

Notes:

1. All interest stated are long positions.

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

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

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

5. Ms. Huang Jin holds 20.83% of the share capital of Wenye Talent Holdings. Wenye Talent Holdings holds 5.82% of the issued Shares of our Company. Accordingly, Ms. Huang Jin is deemed to be interest in 1.22% of the equity interest of our Company for the purpose of Part XV of the SFO.

6. The entire share capital of Linyongqi Holdings is owned by Mr. Lin Yongqi. Accordingly, Mr. Lin Yongqi is deemed to be interested such Shares held by Linyongqi Holdings for the purpose of Part XV of the SFO.

7. Mr. Deng Guanghui holds 11.11% of the share capital of Wenye Elite Holdings. Wenye Elite Holdings holds 13.64% of the issued Shares of our Company directly, and holds 4.54% of the Shares of our Company through its wholly-owned subsidiary, ESOP Holdings. ESOP Holdings Limited holds the Shares of our Company as a settlor for the Shares on trust under the Restricted Share Unit Scheme. Accordingly, Mr. Deng Guanghui is deemed to be interest in 2.02% of the equity interest of our Company for the purpose of Part XV of the SFO.

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

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

As the date of this annual report, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

ARRANGEMENTS TO ACQUIRE SHARES

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases – raw material

– the largest supplier 1.8%

– five largest suppliers in aggregate 5.9%

Purchases – subcontractor

– the largest subcontractor 20.7%

– five largest subcontractors in aggregate 75.7%

Sales

– the largest customer 12.6%

– five largest customers in aggregate 29.7%

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

TAX RELIEF AND EXEMPTION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 14 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

EVENTS AFTER THE END OF THIS YEAR

On 14 January 2020, the shares of the Company were listed on the Stock Exchange. In connection with the Listing completed on 14 January 2020, the Company issued a total of 148,500,000 ordinary shares at a price of HK$1.06 per share for a total proceeds (before related fees and expenses) of HK$157,410,000.

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. Up to the date on which this set of financial statements were authorised for issue, the impacts of the COVID-19 outbreak on macro-economic conditions as a whole are still uncertain, the Group is unable to quantify the related financial effects. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout this Year. The Company has maintained Directors' liabilities insurance which provides appropriate cover for the Directors. Pursuant to the Articles and the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

SECURITIES TRANSACTIONS BY DIRECTORS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 429 employees (31 December 2018: 533). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately RMB53.3 million (Year 2018: approximately RMB52.4 million).

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

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

Details of the emoluments of the Directors and the five individuals with the highest emoluments for this Year are set out in Note 9 to the Consolidated Financial Statements, respectively.

RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries established in the PRC are required to participate in a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme. The only obligation to the Group with respect to these schemes are to make the required contributions under these schemes.

CORPORATE GOVERNANCE PRACTICES

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 33 to 45 of this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3.3 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the INEDs, namely Ms. Huang Guiqing, Mr. Liu Xiaoyi and Mr. Liu Ziping. Ms. Huang is the chairman of the Audit Committee.

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

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the forthcoming annual general meeting, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the Independent Auditor.

There is no change of Independent Auditor for this year and up to the date of this annual report.

By order of the Board
Wenye Group Holdings Limited

Fan Shaozhou
Chairman and Executive Director

Shenzhen, PRC, 30 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICE

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

As the Company was not listed on the main board of the Stock Exchange until 14 January 2020 (the "Listing Date"), the CG Code was not applicable to the Company during the period under review. However, the Directors are of the view that the Company has fully complied with the CG Code during the period except for the deviation from Code Provision A.2.1 of the CG Code. The Company will continue to review and enhance its corporate governance practice to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities in the Company. However, as the Company was not listed on the main board of the Stock Exchange during the year ended 31 December 2019, the Model Code was not applicable during the period under review. 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 since the Listing Date.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in Code Provision A.6.4 of the CG Code. After making reasonable enquiry, no incident of non-compliance with the Model Code by relevant employees of the Company has been noted during the period.

THE BOARD

Duties

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

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

Corporate Governance Functions of the Board

The Board is collectively responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code, including at least the following:

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

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

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

(4) to formulate, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and Directors; and

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

Delegation of Management Functions

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

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

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

Structure of the Board

The Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. A list of Board members, their positions and dates of appointment, and the biography of each Director is set out in the section headed "Directors and Senior Management".

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

Chairman and Chief Executive Officer

Under Code Provision A.2.1 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 the annual report, 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.

Independent Non-Executive Directors

During the period, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors accounts for one-third of the number of Board members.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors of the Company shall make confirmation to the Company on their independence during the period. Based on the confirmation made by the independent non-executive Directors, the Company considers each of them to be independent during the period.

Appointment and Re-election of Directors

Code Provision A.4.1 of the CG Code stipulates that the non-executive Directors shall be appointed for a specific term and subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill casual vacancies shall be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

The procedures and processes of appointment, re-election and removal of Directors are laid down in the Articles.

Each of Mr. Fan, Mr. Wan Neng and Ms. Huang Jin, being our executive Directors, and Mr. Lin Yongqi, Mr. Deng Guanghui and Mr. Chen Li, being our non-executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors will enter into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Directors and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Board Meetings

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

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

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

During the year ended 31 December 2019, three Board meetings were held by the Company. No general meeting was held for the year ended 31 December 2019. The attendance of each Director at the Board meetings is set out in the table below:

Directors	**Number of Board meetings attended/ Number of Board meetings requiring attendance**
Mr. Fan Shaozhou	3/3
Mr. Wan Neng (appointed on 13 March 2019)	2/2
Ms. Huang Jin (appointed on 13 March 2019)	2/2
Mr. Lin Yongqi (appointed on 13 March 2019)	2/2
Mr. Deng Guanghui (appointed on 13 March 2019)	2/2
Mr. Chen Li (appointed on 13 March 2019)	1/2
Ms. Huang Guiqing (appointed on 21 December 2019)	1/2
Mr. Liu Xiaoyi (appointed on 21 December 2019)	1/2
Mr. Liu Ziping (appointed on 21 December 2019)	1/2

Directors' Training and Continuous Professional Development

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and update their knowledge and skills to ensure that their contribution to the Board remains fully informed and relevant.

Each newly appointed Director has been provided with necessary induction training and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant ordinances, laws, rules and regulations. Prior to the listing, all Directors have attended training sessions provided by the Company's legal advisers on duties of directors of listed companies and their on-going obligations.

All the Directors have been updated with the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practice. In addition, continuous briefing and professional development will be arranged for Directors whenever necessary.

Liability Insurance of Directors and Senior Management

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

Directors' Responsibility in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the financial year ended 31 December 2019.

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

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

Board Committees

Audit Committee

The Audit Committee of the Company consists of three independent non-executive Directors, namely Ms. Huang Guiqing, Mr. Liu Xiaoyi and Mr. Liu Ziping. All members of the Audit Committee are independent non-executive Directors.

Ms. Huang Guiqing is the chairman of the Audit Committee. She holds the appropriate professional qualifications as required under Rules 3.10 (2) and 3.21 of the Listing Rules.

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

No meeting was held by the Audit Committee during the year ended 31 December 2019 as the shares in the Company were only listed on the main board of the Stock Exchange on 14 January 2020.

The Audit Committee held a meeting on 30 March 2020 to review the annual financial results and significant internal audit issues, the re-appointment of the external auditor and relevant scope of works and the continuing connected transactions. The Group's audited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and the selection and appointment of the external auditor. In addition, the Audit Committee has reviewed the internal control of the Group and oversaw the risk management and internal control systems of the Group during the year of 2019.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Liu Xiaoyi (Chairman), Mr. Fan Shaozhou and Ms. Huang Guiqing, and the majority of them are independent non-executive Directors. The primary duties of the Remuneration Committee are to recommend the Board on the Group's remuneration policy and structure for the remuneration of the Directors and senior management of the Group, to establish formal and transparent procedures for developing the remuneration policy, to review and approve proposals for remuneration of the management with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

No meeting was held by the Remuneration Committee during the year ended 31 December 2019 as the shares in the Company were only listed on the main board of the Stock Exchange on 14 January 2020.

The Remuneration Committee held a meeting on 30 March 2020 to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and other related issues.

Pursuant to the Code Provision B.1.5 of the CG Code, the following table sets forth the remuneration (excluding equity-settled share expenses) of the Directors and members of senior management for the year ended 31 December 2019 categorized by bands:

Band (Note)	Remuneration (RMB)	Number of Directors
1	0 – 400,000	3
2	400,001 – 800,000	3

Notes:

Group 1 includes 3 Directors.

Group 2 includes 3 Directors.

Further details on remuneration of the Directors and the five highest paid employees required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 9 to the financial statements.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Fan Shaozhou (Chairman), Ms. Huang Guiqing and Mr. Liu Ziping, and the majority of them are independent non-executive Directors.

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

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

No meeting was held by the Nomination Committee during the year ended 31 December 2019 as the shares in the Company were only listed on the main board of the Stock Exchange on 14 January 2020.

The Nomination Committee held a meeting on 30 March 2020 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the re-election of retiring Directors.

BOARD DIVERSITY POLICY

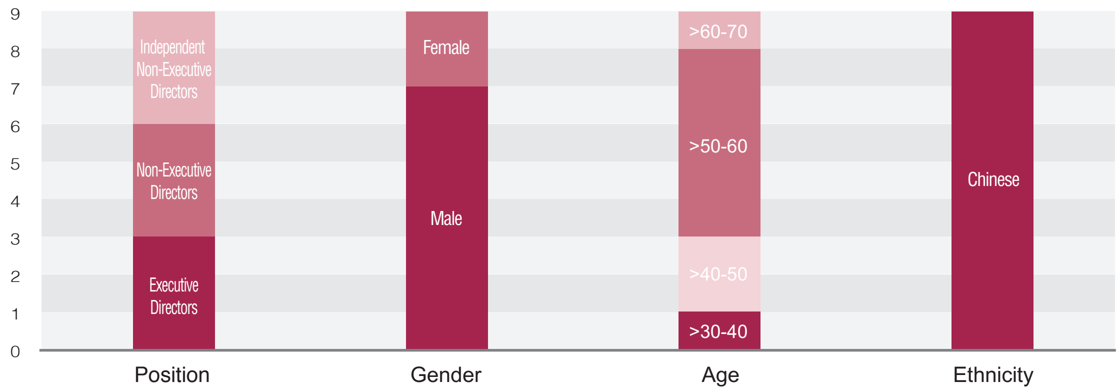
The Company has adopted a board diversity policy (the "Board Diversity Policy") on 21 December 2019, which sets out the objective of achieving and maintaining a high level of diversity on the Board and the approach to achieve the said goal. The Company recognises the benefits of having a diversified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

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

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

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

The following chart shows the diversity profile of the Board as at 31 December 2019:



Dividend Policy

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

Such declaration and payment of dividends shall remain to be determined at the discretion of the board of directors of the Company (the "Board") and subject to all applicable requirements (including without limitation, restrictions on dividend declaration and payment) under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Companies Law (2018 Revision), Cap. 22 of the Cayman Islands (the "Companies Law") and the Articles.

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

Subject to the Companies Law and the Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

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

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

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

The Board may in addition from time to time declare and pay special dividends on shares of any class of such amounts and on such dates as they think fit, and the provisions of Clause 6 as regards the powers and the exemption from liability of the Board as relate to declaration and payment of interim dividends shall apply, mutatis mutandis, to the declaration and payment of any such special dividends

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

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Huang Jin, an executive Directors and vice president, and Ms. Mak Po Man Cherie. The primary contact person of the Company is Ms. Huang Jin, one of the joint company secretaries of the Company.

Ms. Mak is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, responsible for advising the Board on corporate governance and ensuring that policies and procedures of the Board, applicable laws, rules and regulations are observed. Ms. Mak confirmed that she had taken no less than 15 hours of relevant professional training during the year as required by Rule 3.29 of the Listing Rules.

AUDITORS

The financial statements set out in this report have been audited by PricewaterhouseCoopers. The service fee payable to PricewaterhouseCoopers for the year is RMB1.8 million.

Services provided	**Fees payable (RMB'000)**
Audit services	1,800
Non-audit services	–
Total	1,800

The responsibility statement of the Company's external auditor on preparing reports on the consolidated financial statements is set out in the auditor's report in page 46 to 51.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to establishing high quality risk management and internal control systems to safeguard shareholders' investment and corporate interests, and with the support of the Audit Committee, reviewing the effectiveness of such systems annually.

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

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

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

The Board is not aware of any material internal control and risk management deficiency nor significant breach of limits or risk management policies, and considers that the current control system of the Company is effective and adequate, including the qualifications and experience of the staff of the Company, the performance of the accounting and financial reporting function, and the training programmes of the Company and the Company's experience and resources in relation to the budget. The Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

SHAREHOLDERS' RIGHTS

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

Communication with Shareholders and Investors

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

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

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

Shareholders should direct their inquiries on their shareholdings to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong. Investors may also write to the Company at its principal place of business in Hong Kong or China for any enquiry. The Company sets out the following contact details to facilitate the communication between Shareholders and the Company:

Postal address:
No. 105, Sha Zui Industrial Area,
Fuqiang Road, Futian District,
Shenzhen, China

Telephone: 86 – 0755 – 83288118
Email address: wyzs@szwyzs.com.cn

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles have been amended and restated with effect from the Listing Date.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Wenye Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Wenye Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 118, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of construction contracts
- Recoverability of trade and retention receivables and contract assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction contracts Refer to Note 2.21 for the accounting policy of revenue recognition of construction contracts, Note 4(a) for the critical accounting estimates and judgements involved; and Note 6 to the consolidated financial statements. The Group recognised revenue from construction contracts amounted to RMB1,533,523,000 for the year ended 31 December 2019, representing approximately 98.4% of the Group's total revenue. Contract revenue is recognised over the contract period by referenced to the stage of completion. The stage of completion is determined by the aggregated costs for the individual contract incurred at the end of the reporting period compared with the budget cost. We focused on this area because the recognition of revenue from construction contracts involved judgements by management, which mainly included determination of the stage of completion and the budget cost.	Our procedures in relation to the revenue recognition of construction contracts included: – We understood, evaluated and validated the key controls over revenue recognition of construction contracts. Those controls included management's review on the budget cost and the stage of completion of contracts, as well as controls over the aggregated costs incurred and the variation orders; – We selected revenues recognised from construction contracts using sampling technique and tested the aggregated costs incurred by examination of project documentation, including construction agreements, payment records, receipt notes of materials and labour cost records; – We compared gross profit margin of material construction contracts and challenged management's explanation for significant difference between contracts by benchmarking to industry comparables and previously completed projects; – We discussed with management the variance between the aggregated costs incurred and the budget costs for contracts completed during the year to assess the reliability of management's estimation on budget costs and examined the additional variation orders; – We examined the budgeted cost of material construction contracts prepared by the project managers by comparing the budgeted component costs to supporting documents including, but not limited, to price quotations of suppliers and subcontractors; and – We recalculated the percentage of completion, on a sample basis, by comparing the aggregated costs incurred for the individual contract to the budget cost with management's calculation. Based on our audit procedures, we found management's judgements and estimates used in the revenue recognition of construction contracts were supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter

Recoverability of trade and retention receivables and contract assets

Refer to Note 2.9 and 3.1(b) for the accounting policy of impairment of financial assets, Note 4(b) for the critical accounting estimates and judgements involved, Note 6(b) and Note 20 to the consolidated financial statements.

As at 31 December 2019, the gross carrying amounts of trade and retention receivables and contract assets amounted to RMB1,232,766,000 and RMB568,700,000, respectively, with loss allowance amounted to RMB170,771,000 and RMB6,428,000, respectively.

Management applied the simplified approach to measure expected credit losses taking into account of the historical observed default rates over the expected life of the trade and retention receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates.

We focused on this area due to the significant judgements used to assess the impairment of trade and retention receivables and contract assets.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of trade and retention receivables and contract assets included:

– We understood, evaluated and validated the key controls over the impairment assessment process, including the grouping of customers based on similar credit risk characteristics and the expected credit loss computation of trade and retention receivables and contract assets;

– We understood the management's assessment of the recoverability of trade and retention receivables and contract assets based on the settlement profiles of sales for customers with similar credit risk characteristics and business relationship between the Group and customers through discussion with management;

– We evaluated the management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as past settlement history by checking to the underlying bank pay-in slips on a sample basis;

– We evaluated the reasonableness of the forward-looking information used by the management against publicly available information and recalculated the amount of provision; and

– We tested the accuracy of the ageing profile of the trade and retention receivables as at 31 December 2019 to underlying financial records on a sample basis.

Based on our audit procedures performed, we found the management judgement used to perform the impairment assessment of trade and retention receivables and contract assets to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chow Shiu Hay Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 RMB'000	2018 RMB'000
Revenue	*6*	**1,557,914**	1,440,788
Cost of sales	*8*	**(1,371,001)**	(1,277,059)
Gross profit		**186,913**	163,729
Other income	*7*	**11,794**	8,049
Other losses, net	*7*	**(3,945)**	(543)
Selling and marketing expenses	*8*	**(8,352)**	(7,029)
General and administrative expenses	*8*	**(60,510)**	(48,992)
Net impairment losses on financial and contract assets	*3*	**(55,507)**	(22,627)
Operating profit		**70,393**	92,587
Finance income	*10*	**132**	595
Finance costs	*10*	**(11,185)**	(10,041)
Finance costs, net		**(11,053)**	(9,446)
Profit before income tax		**59,340**	83,141
Income tax expense	*11*	**(19,508)**	(23,053)
Profit for the year		**39,832**	60,088
Profit/(loss) attributable to:			
Owners of the Company		**40,066**	60,721
Non-controlling interests		**(234)**	(633)
		39,832	60,088
Other comprehensive income			
Item that may be reclassified to profit or loss			
Currency translation differences		**6**	–
Other comprehensive income for the year		**6**	–
Total comprehensive income for the year		**39,838**	60,088
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**40,072**	60,721
Non-controlling interests		**(234)**	(633)
		39,838	60,088
Earnings per share attributable to owners of the Company			
– Basic and diluted (RMB)	*13*	**0.09**	0.14

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**23,041**	26,340
Investment properties	*15*	**14,619**	17,163
Intangible assets	*16*	**927**	1,003
Right-of-use assets	*18*	**17,067**	18,419
Deferred income tax assets	*19*	**44,572**	30,695
Trade and other receivables	*20*	**75,856**	58,548
		176,082	152,168
Current assets			
Contract assets	*6(b)*	**562,272**	420,612
Trade and other receivables	*20*	**1,030,360**	803,857
Amounts due from related parties	*32(d)*	**–**	4,215
Restricted cash	*21*	**7,640**	1,077
Cash and cash equivalents	*22*	**46,684**	87,206
		1,646,956	1,316,967
Total assets		**1,823,038**	1,469,135
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**–**	–
Other reserves	*24*	**174,387**	170,895
Retained earnings		**300,366**	270,395
		474,753	441,290
Non-controlling interests	*25*	**–**	(423)
Total equity		**474,753**	440,867

	Notes	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	*27*	**13,200**	295
Lease liabilities	*18*	**33,868**	38,585
		47,068	38,880
Current liabilities			
Trade and other payables	*26*	**1,028,207**	794,848
Contract liabilities	*6(b)*	**42,538**	35,940
Lease liabilities	*18*	**6,492**	5,395
Amounts due to related parties	*32(d)*	**848**	–
Bank borrowings	*27*	**169,983**	110,369
Other borrowings	*28*	**4,979**	9,069
Current income tax liabilities		**48,170**	33,767
		1,301,217	989,388
Total liabilities		**1,348,285**	1,028,268
Total equity and liabilities		**1,823,038**	1,469,135

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 52 to 118 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Mr. Fan Shaozhou
Director

Mr. Wan Neng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital RMB'000 *(Note 23)*	Other reserves RMB'000 *(Note 24)*	Retained earnings RMB'000	Sub-total RMB'000	Non–controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018	–	161,831	216,638	378,469	210	378,679
Profit/(loss) and total comprehensive income/(loss) for the year	–	–	60,721	60,721	(633)	60,088
Transactions with owners in their capacity as owners:						
Contribution from shareholders *(Note 24)*	–	2,100	–	2,100	–	2,100
Transfer to statutory reserves	–	6,964	(6,964)	–	–	–
Total transactions with owners in their capacity as owners	–	9,064	(6,964)	2,100	–	2,100
Balance at 31 December 2018	–	170,895	270,395	441,290	(423)	440,867
Balance at 1 January 2019	–	170,895	270,395	441,290	(423)	440,867
Profit/(loss) for the year	–	–	40,066	40,066	(234)	39,832
Other comprehensive income	–	6	–	6	–	6
Total comprehensive income/(loss) for the year	–	6	40,066	40,072	(234)	39,838
Transactions with owners in their capacity as owners:						
Deemed distribution to shareholders *(Note 24)*	–	(6,646)	–	(6,646)	–	(6,646)
Disposal of a subsidiary *(Note 31)*	–	–	–	–	657	657
Deregistration of a subsidiary	–	(30)	30	–	–	–
Transfer to statutory reserves	–	10,125	(10,125)	–	–	–
Other	–	37	–	37	–	37
Total transactions with owners in their capacity as owners	–	3,486	(10,095)	(6,609)	657	(5,952)
Balance at 31 December 2019	–	174,387	300,366	474,753	–	474,753

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*29(a)*	**(66,965)**	46,706
Income tax paid		**(18,866)**	(27,189)
Net cash (used in)/generated from operating activities		**(85,831)**	19,517
Cash flows from investing activities			
Purchase of property, plant and equipment		**(473)**	(920)
Purchase of intangible assets		**(327)**	(14)
Finance income received		**132**	595
Repayment from related parties		**4,215**	19,525
Disposal of a subsidiary, net of cash disposed	*31*	**284**	–
Net cash generated from investing activities		**3,831**	19,186
Cash flows from financing activities			
Contribution from shareholders		**37**	2,100
Deemed distribution to shareholders	*24*	**(6,646)**	–
Proceeds from bank and other borrowings		**190,158**	127,369
Repayments of bank and other borrowings		**(121,729)**	(122,690)
Payment for principal of lease liabilities		**(5,572)**	(4,829)
Payment for interest of lease liabilities		**(2,935)**	(3,194)
Finance cost paid		**(8,250)**	(6,847)
Payment for listing expenses		**(3,591)**	(822)
Net cash generated from/(used in) financing activities		**41,472**	(8,913)
Net (decrease)/increase in cash and cash equivalents		**(40,528)**	29,790
Cash and cash equivalents at beginning of the year		**87,206**	57,416
Exchange difference on cash and cash equivalents		**6**	–
Cash and cash equivalents at end of the year	*22*	**46,684**	87,206

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 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 "Business") in the People's Republic of China (the "PRC").

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

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 January 2020 (the "Listing"). Please refer to Note 36(i) for details.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganisation

Prior to the Reorganisation (as defined below), the Business was primarily operated by Shenzhen Wenye Decoration Design Engineering Co., Ltd. ("Wenye Decoration") and its subsidiaries (the "Operating Subsidiaries").

In preparation for the initial public offering ("IPO") and listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which the companies engaged in the Business were transferred to the Company. The Reorganisation involved the followings steps:

On 30 September 2017, Mr. Gan Qingxin transferred his entire equity interest in Wenye Decoration of 26,283,375 shares to Mr. Fan Shaozhou at a consideration of approximately RMB79.5 million.

On 23 October 2018, Wenye Construction and Decoration (Guangzhou) Co., Ltd. ("Wenye Construction"), was established in the PRC with initial registered capital of RMB2.1 million and is owned as to 94.28% by Mr. Fan Shaozhou, 2.86% by Mr. Deng Guanghui and 2.86% by Ms. Huang Jin respectively.

On 12 November 2018, Shenzhen Wenye Industrial Co., Ltd. ("Wenye Industrial") was established in the PRC as a wholly-owned subsidiary of Wenye Construction, with initial registered capital of RMB1.2 million.

Pursuant to an equity transfer agreement dated 4 December 2018 between Wenye Industrial and the then shareholders of Wenye Decoration (the "Previous Wenye Decoration Shareholders"), the Previous Wenye Decoration Shareholders transferred to Wenye Industrial their equity interest in Wenye Decoration for consideration of issuance of an aggregate of RMB2.8 million registered capital of Wenye Industrial.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(continued)*

1.2 Reorganisation *(continued)*

Further, pursuant to an equity transfer agreement dated 10 December 2018 between Wenye Construction and the Previous Wenye Decoration Shareholders, the Previous Wenye Decoration Shareholders transferred to Wenye Construction their equity interest in Wenye Industrial for consideration of an aggregate of RMB4.9 million registered capital of Wenye Construction.

On 3 December 2018, Sosang (HK) Holdings Limited ("Sosang Hong Kong") was incorporated in Hong Kong as a wholly-owned subsidiary of Sosang Holdings Limited ("Sosang Holdings") and it is beneficially owned by Mr. So Sang, a pre-IPO investor.

Pursuant to an equity transfer agreement dated 18 December 2018 between Mr. Fan Shaozhou, Mr. Lin Yongqi and Sosang Hong Kong, Sosang Hong Kong purchased an aggregate of 5.05% of the equity interest in Wenye Construction from Mr. Fan Shaozhou and Mr. Lin Yongqi at a consideration of approximately RMB16.6 million.

On 13 November 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorised share capital of Hong Kong dollars ("HK$") 380,000, divided into 3,800,000,000 shares of a par value of HK$0.0001 each. On the same day, one share was allotted and issued for cash at par to the initial subscriber, and was subsequently transferred to Fanshaozhou Holdings Limited, the offshore shareholding company wholly-owned by Mr. Fan Shaozhou.

On 29 November 2018, Wenye International Holdings Limited ("Wenye BVI") was incorporated in the BVI as a wholly-owned subsidiary of the Company. On 30 November 2018, Wenye International (HK) Holdings Limited ("Wenye Hong Kong") was incorporated in Hong Kong as a wholly-owned subsidiary of Wenye BVI. On 25 December 2018, Shenzhen Wenye Construction Group Co., Ltd. ("WFOE") was established in the PRC as a wholly-foreign-owned enterprise with a registered capital of RMB7.0 million and wholly-owned by Wenye Hong Kong.

On 13 December 2018 and 7 January 2019, the Company allotted and issued an aggregate of 497,566, 42,800, 39,850, 43,000, 50,000, 180,000, 76,800 and 59,983 shares for cash at par to Fanshaozhou Holdings Limited, Linyongqi Holdings Limited, Lijueqing Holdings Limited, Chenli Holdings Limited, Sosang Holdings, Wenye Elite Holdings Limited, Wenye Talent Holdings Limited and Wenye Innovator Holdings Limited, respectively, representing 50.26%, 4.32%, 4.03%, 4.34%, 5.05%, 18.18%, 7.76% and 6.06% of shareholding of the Company, respectively.

On 4 January 2019, an equity transfer agreement was entered into between WFOE and each of the then shareholders of Wenye Construction, pursuant to which WFOE acquired the then shareholders' equity interests in Wenye Construction at an aggregate consideration of approximately RMB6.65 million.

On 13 February 2019, Sosang Holdings transferred its entire equity interest in Sosang Hong Kong at a nominal consideration to Wenye BVI.

Upon completion of Reorganisation, the Company became the holding company of the companies now comprising the Group.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(continued)*

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business is mainly conducted through the Operating Subsidiaries. Pursuant to the Reorganisation, the Business was transferred to and held by the Company. The Company and the newly incorporated subsidiaries have not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in the Controlling Shareholders and management.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business conducted through the Operating Subsidiaries and the consolidated financial statements of the Group have been prepared and presented as a continuation of the consolidated financial statements of the Operating Subsidiaries, with the results, assets and liabilities recognised and measured at the carrying amounts of the Business under the consolidated financial statements for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising the Group are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statement. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statement which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountant (the "HKICPA") are set out below. The consolidated financial statement have been prepared under the historical cost convention.

The preparation of consolidated financial statement in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 4.

HKFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted. The Group has early adopted HKFRS 16 during the year ended 31 December 2018 as disclosed in the prospectus of the Company dated 31 December 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) New standards and amendments to standards and interpretations not yet adopted by the Group

The followings are new standards, amendments to standards and interpretations which have been issued but are not yet effective during the year ended 31 December 2019 and have not been early adopted by the Group in preparing the consolidated financial statement:

		Effective for annual periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "Other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other losses, net" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Investment properties

Investment property are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Office premises held under leases are accounted for as investment properties at the date at which the leased asset is available for use by the Group and when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group adopts the cost model for subsequent measurement of investment properties.

Depreciation on investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Owned properties	48 years
Leased properties	Lease term of 9 years

2.7 Intangible assets

Intangible assets represent computer software licenses and patents that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note 2.8). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs incurred to acquire and bring specific computer software licenses to working condition are capitalised.

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

Computer software	5 years
Patents	5 years

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

(a) Classification

Financial asset is classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classified its financial assets at amortised cost.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Debt instruments held at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(c) Impairment

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets. The Group has the following types of assets that are subject to expected credit loss model:

- Trade and retention receivables

- Contract assets

- Deposits and other receivables

- Amounts due from related parties

- Restricted cash

- Cash and cash equivalents

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(c) Impairment *(continued)*

For trade and retention receivables and contract assets with no significant financing component, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. Trade and retention receivables and contract assets are disaggregated by different credit risk characteristics of customers that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade and retention receivables and contract assets with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on deposits and other receivables, amounts due from related parties, restricted cash and bank deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Assets are written off (either partially or in full) when there is no reasonable expectation of recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

(d) Derecognition

The Group derecognises a financial assets, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in the consolidated statements of comprehensive income:

– the carrying amount of the financial asset transferred; and

– the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the the consolidated statements of comprehensive income over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "Restricted cash". Restricted cash are excluding from cash and cash equivalents included in the consolidated statements of cash flows.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax

The tax expense for the years comprise current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position dates and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits

(a) Pension obligations

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

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

(b) Termination benefits

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

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

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

(d) Bonus entitlements

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

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- provide all of the benefits received and consumed simultaneously by the customer; or

- create and enhances an asset that the customer controls as the Group perform; or

- do not create an asset with an alternative use of the Group and the Group has an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

The Group recognises costs incurred in obtaining contracts with customers that are directly associated with the contracts as contract costs if those costs are expected to be recoverable. The contract costs are amortised on a basis consistent with the pattern of the transfer of the goods or services to which the asset relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

In instances where the revenue is determined to be recognised over time, the progress toward complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- Output methods, that recognise revenue based on direct measurements of the value transferred to the customer; or

- Input methods, that recognise revenue based on the Group's efforts to satisfy the performance obligation.

The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below:

(a) Revenue from construction services

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(b) Design service income

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

(c) Rental income

Rental income receivable under operating leases is recognised in the consolidated statements of comprehensive income in equal instalments over the years covered by the lease terms. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.22 Government grants

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

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

2.23 Leases

The Group leases various office premises, factory premises and warehouse for operation. Property leases are typically made for fixed period of 3 to 12 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-uses assets and investment properties (Note 2.6) and the corresponding liability of the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Leases *(continued)*

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- any restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

The lease receivable under lease arrangements are recognised as "trade and other receivables" in the consolidated statements of financial positions.

The Group as a sublease lessor

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as liability at the end of the reporting period.

2.25 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Financial guarantee contracts

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The subsidiaries at the Group mainly operate in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2019, the financial assets and liabilities of the subsidiaries of the Group in the PRC are primarily denominated in RMB. Therefore, the management considers the foreign exchange risk is insignificant to the Group (2018: Same).

(ii) Cash flow interest rate risk

The Group is exposed to cash flow and fair value interest rate risk as certain bank deposits and borrowings are carried at variable rates.

As at 31 December 2019, if the interest rates on bank deposits and borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be RMB644,000 lower/higher (2018: RMB157,000).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

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

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

Bill receivables mainly represent bank acceptance bills. The maturity of these bills usually is 6 months. These bills are mainly issued by state-owned enterprise, reputable financial institution or large private corporations in the PRC. The expected credit loss is close to zero.

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

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk, as significant increase in credit risk is presumed if interest and/or principal repayments are more than 30 days past due	Lifetime expected losses
Non-performing	Customers has difficulties in making full payment despite numerous reminders	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

(i) Trade and retention receivables and contract assets

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 3 to 5 years before 1 January 2018 and 2019 respectively and the corresponding historical credit losses experienced within this period. The loss allowance losses below also incorporate forward looking information.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

Under such basis, the loss allowance for trade receivables, retention receivables, and contract assets as at 31 December 2019 and 2018 was determined as follows:

	Current	Within 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	Over 3 years	Total
Trade receivables							
At 31 December 2019							
Weighted average expected loss rate	**1.3%**	**5.3%**	**5.9%**	**7.1%**	**10.4%**	**67.9%**	
Gross carrying amount (RMB'000)	**329,615**	**148,471**	**162,733**	**236,951**	**100,122**	**144,351**	**1,122,243**
Loss allowance provision (RMB'000)	**4,428**	**7,845**	**9,597**	**16,899**	**10,370**	**51,297**	**100,436**
Individually impaired receivables (RMB'000)	**–**	**–**	**213**	**–**	**–**	**68,757**	**68,970**
Total loss allowance provision (RMB'000)	**4,428**	**7,845**	**9,810**	**16,899**	**10,370**	**120,054**	**169,406**

	Current	Within 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	Over 3 years	Total
Trade receivables							
At 31 December 2018							
Weighted average expected loss rate	0.9%	2.3%	3.2%	6.4%	5.0%	67.8%	
Gross carrying amount (RMB'000)	229,862	195,752	107,585	123,897	52,323	112,841	822,260
Loss allowance provision (RMB'000)	2,077	4,474	3,481	7,952	2,518	39,360	59,862
Individually impaired receivables (RMB'000)	–	–	–	–	2,020	54,798	56,818
Total loss allowance provision (RMB'000)	2,077	4,474	3,481	7,952	4,538	94,158	116,680

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

	Contract assets	Retention receivables
At 31 December 2019		
Expected loss rate	1.1%	1.2%
Gross carrying amount (RMB'000)	568,700	110,523
Loss allowance provision (RMB'000)	6,428	1,365
Individually impaired receivables (RMB'000)	–	–
Total loss allowance provision (RMB'000)	6,428	1,365
At 31 December 2018		
Expected loss rate	1.0%	0.8%
Gross carrying amount (RMB'000)	424,751	111,118
Loss allowance provision (RMB'000)	4,139	873
Individually impaired receivables (RMB'000)	–	–
Total loss allowance provision (RMB'000)	4,139	873

Included in the loss allowance provision are individually impaired trade receivables with an aggregate balance of approximately RMB68,970,000 as at 31 December 2019 (2018: RMB56,818,000). The Group has chased for settlements from these customers for months but these amounts remain unsettled and due over the normal credit period and are considered to be irrecoverable.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

The loss allowance provision for trade and retention receivables and contract assets as at 31 December 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Contract assets RMB'000	Retention receivables RMB'000	Total RMB'000
As at 1 January 2018	95,835	2,516	714	99,065
Provision for impairment	20,845	1,623	159	22,627
As at 31 December 2018	116,680	4,139	873	121,692
Provision for impairment	52,726	2,289	492	55,507
As at 31 December 2019	169,406	6,428	1,365	177,199

(ii) Deposits and other receivables and amounts due from related parties

As at 31 December 2019 and 2018, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognised during the years was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognised during the year ended 31 December 2019, except for the following set out below.

The loss allowance provision for deposits was as follows:

	2019 RMB'000	2018 RMB'000
Loss allowance provision for deposits	**1,400**	1,400

As at 31 December 2019 and 2018, the maximum exposure to loss of these financial assets were as follows:

	2019 RMB'000	2018 RMB'000
Deposits and other receivables	**25,425**	24,092
Amounts due from related parties	**–**	4,215
	25,425	28,307

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate uncommitted lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term.

Management devotes to tighten its credit terms to customers and fasten its collection from debtors by available means in order to maintain sufficient cash to meet the obligations. Moreover, the Group continues to explore its available funding through different financial facilities to maintain sufficient flexibility in funding as well. The Group closely monitors its policies to maintain sufficient cash flows and ensure they are effective. Management considers that there is no significant liquidity risk as the Group has sufficient uncommitted facilities to fund their operations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date during the year ended 31 December 2019).

The maturity analysis for bank and other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand or within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Later than 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Trade and other payables	**904,365**	**–**	**–**	**–**	**904,365**
Amounts due to related parties	**848**	**–**	**–**	**–**	**848**
Bank borrowings	**176,114**	**–**	**15,448**	**–**	**191,562**
Other borrowings	**5,512**	**–**	**–**	**–**	**5,512**
Lease liabilities	**9,052**	**9,378**	**29,364**	**171**	**47,965**
	1,095,891	**9,378**	**44,812**	**171**	**1,150,252**
As at 31 December 2018					
Trade and other payables	714,122	–	–	–	714,122
Bank borrowings	116,231	312	–	–	116,543
Other borrowings	9,369	–	–	–	9,369
Lease liabilities	8,244	8,581	27,258	10,186	54,269
	847,966	8,893	27,258	10,186	894,303

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

The Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 **RMB'000**	2018 RMB'000
Total bank borrowings *(Note 27)*	**183,183**	110,664
Total other borrowings *(Note 28)*	**4,979**	9,069
Lease liabilities *(Note 18)*	**40,360**	43,980
	228,522	163,713
Less:		
Cash and cash equivalents *(Note 22)*	**(46,684)**	(87,206)
Net debt	**181,838**	76,507
Total equity	**474,753**	440,867
Gearing ratio	**38.3%**	17.4%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value estimation of the investment property is categorised in level 3 hierarchy.

The carrying value of the Group's financial assets and liabilities are reasonable approximation to their fair values.

3.4 Offsetting financial assets and financial liabilities

No financial assets and liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2019 (2018: Nil).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

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

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

(c) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The useful lives could be changed as a results of asset utilisation, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. Management will change the depreciation charge where useful lives are different from the previously estimated lives.

(d) Current and deferred income tax

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

Deferred income tax assets relating to temporary differences are recognised when management consider it is probable that future taxable profits will be available against the temporary differences can be utilised. The Group's management reassess its expectation at each balance sheet date.

5 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 2019. (2018: Same)

As at 31 December 2019, all of the non-current assets were located in the PRC. (2018: 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 statement.

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	2019 **RMB'000**	2018 RMB'000
Customer A	**13%**	N/A

All other customers individually accounted for less than 10% of the Group's revenue for the year ended 31 December 2019. During the year ended 31 December 2018, there was no customer that individually accounted for more than 10% of the Group's revenue.

6 REVENUE

(a) Disaggregation of revenue from contracts with customers

	2019 **RMB'000**	2018 RMB'000
Revenue from construction services	**1,533,523**	1,403,052
Design service income	**24,391**	37,736
	1,557,914	1,440,788

	2019 **RMB'000**	2018 RMB'000
Timing of revenue recognition		
Over time	**1,557,914**	1,440,788

6 REVENUE *(continued)*

(b) Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities

	2019 RMB'000	2018 RMB'000
Contract assets related to		
– Construction services	**564,463**	421,000
– Design services	**4,237**	3,751
	568,700	424,751
Less: provision for impairment of contract assets	**(6,428)**	(4,139)
	562,272	420,612

	2019 RMB'000	2018 RMB'000
Contract liabilities related to		
– Construction services	**29,315**	27,196
– Design services	**13,223**	8,744
	42,538	35,940

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 Group expects that contract assets have the same risk characteristics as trade receivables. The impairment of contract assets is disclosed in Note 3.1.

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.

Due to the completion of the construction, contract assets of RMB302,947,000 (2018: RMB129,030,000) were transferred to trade receivables during the year ended 31 December 2019.

6 REVENUE *(continued)*

(b) Contract assets and liabilities *(continued)*

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the respective years related to carried-forward contract liabilities.

	2019 **RMB'000**	2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Construction services	**20,895**	19,165
– Design services	**6,411**	118
	27,306	19,283

(ii) Unsatisfied contracts related to construction and design services

	2019 **RMB'000**	2018 RMB'000
Aggregate amount of the transaction price allocated to construction and design services that are partially or fully unsatisfied		
– Construction services *(Note)*	**508,459**	738,618
– Design services	**18,101**	24,914
	526,560	763,532

Note: The amounts do not include the transaction price for those contracts awarded but the Group had not commenced construction work at the year end date.

Amounts expected to be recognised:		
Within 1 year		
– Construction services	**432,772**	564,340
– Design services	**18,101**	24,914
	450,873	589,254
1 year to 2 years		
– Construction services	**75,687**	174,278
	526,560	763,532

7 OTHER INCOME AND OTHER LOSSES, NET

	2019 RMB'000	2018 RMB'000
Other income		
Government grants *(Note)*	**2,890**	1,680
Rental income from investment properties *(Note 15)*	**6,470**	6,369
Compensation from lawsuit	**2,434**	–
	11,794	8,049
Other losses, net		
Penalty of lawsuit	**(4,710)**	(511)
Gain on disposal of a subsidiary *(Note 31)*	**529**	–
Others	**236**	(32)
	(3,945)	(543)

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

8 EXPENSES BY NATURE

	2019 RMB'000	2018 RMB'000
Raw materials and consumables used	**796,036**	772,238
Remuneration paid or payable to work forces engaged by the Group	**493,865**	417,165
Design service contract cost	**18,185**	28,812
Employee benefit expenses *(Note 9)*	**52,365**	53,307
Business and other taxes	**9,017**	9,667
Depreciation of property, plant and equipment *(Note 14)*	**3,520**	4,152
Depreciation of investment properties *(Note 15)*	**2,544**	2,553
Amortisation of intangible assets *(Note 16)*	**403**	423
Depreciation of right-of-use assets *(Note 18)*	**3,423**	3,335
Short-term leases expenses	**141**	550
Marketing and advertising expenses	**785**	576
Legal and professional fees	**7,854**	2,163
Auditor's remuneration		
– Audit services	**1,800**	–
Travel and entertainment expenses	**4,536**	5,259
Listing expenses	**12,686**	5,731
Other expenses	**32,703**	27,149
Total cost of sales, selling and marketing expenses and general and administrative expenses	**1,439,863**	1,333,080

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	**46,432**	47,118
Housing funds, medical insurances and other social insurances	**4,959**	4,970
Other welfare and allowances	**974**	1,219
	52,365	53,307

(a) Directors' emoluments

The remuneration of individual director of the Operating Subsidiaries paid or payable by the Group for the year are set out below:

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowance and benefit in kinds RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the business RMB'000	Total RMB'000
For the year ended 31 December 2019							
Executive directors							
Mr. Fan Shaozhou	–	653	20	–	45	–	718
Mr. Wan Neng	–	312	20	–	20	–	352
Ms. Huang Jin	–	362	20	–	20	–	402
	–	1,327	60	–	85	–	1,472
Non-executive directors						–	
Mr. Lin Yongqi	–	646	–	–	45	–	691
Mr. Deng Guanghui	–	330	20	–	20	–	370
Mr. Chen Li	–	216	–	–	43	–	259
	–	1,192	20	–	108	–	1,320

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

(a) Directors' emoluments *(continued)*

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowance and benefit in kinds RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the business RMB'000	Total RMB'000
For the year ended 31 December 2018							
Executive directors							
Mr. Fan Shaozhou	–	659	20	–	47	–	726
Mr. Wan Neng	–	300	40	–	20	–	360
Ms. Huang Jin	–	362	40	–	20	–	422
	–	1,321	100	–	87	–	1,508
Non-executive directors							
Mr. Lin Yongqi	–	643	20	–	47	–	710
Mr. Deng Guanghui	–	336	20	–	20	–	376
Mr. Chen Li	–	216	–	–	45	–	261
	–	1,195	40	–	112	–	1,347

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration shown above represented remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during the year ended 31 December 2019 (2018: Nil).

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during the year ended 31 December 2019 (2018: Nil).

Mr. Fan Shaozhou was appointed as the Company's executive director on 13 November 2018. Mr. Wan Neng and Ms. Huang Jin were appointed as the Company's executive directors and Mr. Lin Yongqi, Mr. Deng Guanghui and Mr. Chen Li were appointed as the Company's non-executive directors on 13 March 2019. Mr. Liu Xiaoyi, Mr. Liu Ziping, and Mr. Huang Guiqing were appointed as the Company's independent non-executive directors on 21 December 2019. During the year, the independent non-executive directors had not yet been appointed and did not receive any remuneration in their capacity as the Company's directors.

(b) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended 31 December 2019 (2018: Nil).

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

During the year ended 31 December 2019, no consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

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

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2018: Nil).

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

Same as disclosed in Note 32(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the year end or at any time during the year (2018: Nil).

9 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION) *(continued)*

(f) Five highest paid individuals

For the year ended 31 December 2019, the five individuals whose emoluments were the highest in the Group include two directors (2018: three), whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining three individuals (2018: two) are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	**1,472**	958
Housing funds, medical insurances and other social insurances	**48**	32
	1,520	990

The emoluments of above individuals are within the following bands:

	2019 RMB'000	2018 RMB'000
Emoluments band		
HK$nil – HK$1,000,000 (equivalent to RMBnil – RMB862,069)	**3**	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year (2018: Nil).

10 FINANCE COSTS, NET

	2019 RMB'000	2018 RMB'000
Finance income:		
– Interest income from bank deposits	**132**	595
Finance costs:		
– Interest expense on bank and other borrowings	**(8,250)**	(6,847)
– Interest expense on lease liabilities	**(2,935)**	(3,194)
	(11,185)	(10,041)
Finance costs, net	**(11,053)**	(9,446)

11 INCOME TAX EXPENSE

	2019	2018
	RMB'000	RMB'000
Current income tax	**33,385**	28,785
Deferred income tax *(Note 19)*	**(13,877)**	(5,732)
	19,508	23,053

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% (2018: 25%).

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

	2019	2018
	RMB'000	RMB'000
Profit before income tax	**59,340**	83,141
Tax calculated at domestic tax rates applicable to profits in the respective countries	**16,524**	20,984
Tax effects of:		
Income not subject to tax	**(298)**	–
Expenses not deductible for tax purpose	**3,050**	1,907
Tax losses for which no deferred tax asset was recognised	**232**	162
	19,508	23,053

The weighted average applicable tax rate was 28% for the year ended 31 December 2019 (2018: 25%).

12 DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

13 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR – BASIC AND DILUTED

(a) Basic

The basic 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.

The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted on 1 January 2018 for the effects of the issue of shares in connection with the Reorganisation completed on 13 February 2019 (Note 1.2), the capitalisation of 444,510,000 shares (Note 23(iv)) which took place on 14 January 2020 and excluded shares held under the restricted share unit scheme ("RSU scheme") in issue during the year ended 31 December 2019 (2018: Same).

	2019	2018
Profit attributable to owners of the Company (RMB'000)	**40,066**	60,721
Weighted average number of share in issue or deemed to be in issue (number of shares)	**445,488,946**	445,488,946
Basic earnings per share (RMB)	**0.09**	0.14

(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 2019 (2018: Same).

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018					
Cost	9,032	27,741	5,068	4,110	45,951
Accumulated depreciation	(334)	(10,198)	(3,146)	(2,701)	(16,379)
Net book amount	8,698	17,543	1,922	1,409	29,572
Year ended 31 December 2018					
Opening net book amount	8,698	17,543	1,922	1,409	29,572
Additions	–	693	227	–	920
Depreciation *(Note 8)*	(181)	(2,609)	(1,016)	(346)	(4,152)
Closing net book amount	8,517	15,627	1,133	1,063	26,340
At 31 December 2018					
Cost	9,032	28,434	5,202	3,763	46,431
Accumulated depreciation	(515)	(12,807)	(4,069)	(2,700)	(20,091)
Net book amount	8,517	15,627	1,133	1,063	26,340
Year ended 31 December 2019					
Opening net book amount	8,517	15,627	1,133	1,063	26,340
Additions	–	437	36	–	473
Depreciation *(Note 8)*	(173)	(2,662)	(339)	(346)	(3,520)
Disposal of a subsidiary *(Note 31)*	–	–	(252)	–	(252)
Closing net book amount	8,344	13,402	578	717	23,041
At 31 December 2019					
Cost	9,032	28,871	4,784	3,763	46,450
Accumulated depreciation	(688)	(15,469)	(4,206)	(3,046)	(23,409)
Net book amount	8,344	13,402	578	717	23,041

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2019, the net book value of land and buildings which have not obtained the housing title certificates amounted to RMB3,048,000 (2018: RMB3,401,000).

As at 31 December 2019, land and buildings with net book value amounted to 3,048,000 (2018: RMB3,401,000), were pledged as collateral for the Group's bank borrowings (Note 27).

Depreciation expenses have been charged in "General and administrative expenses" in the consolidated statement of comprehensive income.

15 INVESTMENT PROPERTIES

	Owned properties	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018			
Opening net book amount	2,445	17,271	19,716
Depreciation *(Note 8)*	(86)	(2,467)	(2,553)
Closing net book amount	2,359	14,804	17,163
At 31 December 2018			
Cost	3,675	22,206	25,881
Accumulated depreciation	(1,316)	(7,402)	(8,718)
Net book amount	2,359	14,804	17,163
Year ended 31 December 2019			
Opening net book amount	2,359	14,804	17,163
Depreciation *(Note 8)*	(77)	(2,467)	(2,544)
Closing net book amount	2,282	12,337	14,619
At 31 December 2019			
Cost	3,675	22,206	25,881
Accumulated depreciation	(1,393)	(9,869)	(11,262)
Net book amount	2,282	12,337	14,619

15 INVESTMENT PROPERTIES *(continued)*

Amounts recognised in the consolidated income statements for investment properties as disclosed in Note 7:

	2019 RMB'000	2018 RMB'000
Rental income from investment properties	**524**	516
Rental income from subleasing	**5,946**	5,853
	6,470	6,369

As at 31 December 2019, the net book value of investment properties which have not obtained the housing title certificates amounted to RMB1,227,000 (2018: RMB1,268,000).

As at 31 December 2019, the fair values of the Group's owned investment properties were RMB6,087,000 as determined by an independent professional valuation firm (2018: RMB6,129,000).

As at 31 December 2019 and 2018, the Group's management assessed that the fair values of the Group's leased properties approximate to their carrying amounts.

The owned investment properties were located in the PRC.

The lease term of leased properties is 9 years. The lease agreement does not impose any covenants, but leased asset may not be used as security for borrowing purposes.

Depreciation expenses have been charged in "General and administrative expenses" in the consolidated statement of comprehensive income.

16 INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
At 1 January 2018			
Cost	2,006	385	2,391
Accumulated amortisation	(851)	(128)	(979)
Net book amount	1,155	257	1,412
Year ended 31 December 2018			
Opening net book amount	1,155	257	1,412
Additions	14	–	14
Amortisation charge *(Note 8)*	(346)	(77)	(423)
Closing net book amount	823	180	1,003
At 31 December 2018			
Cost	2,020	385	2,405
Accumulated amortisation	(1,197)	(205)	(1,402)
Net book amount	823	180	1,003
Year ended 31 December 2019			
Opening net book amount	823	180	1,003
Additions	327	–	327
Amortisation charge *(Note 8)*	(326)	(77)	(403)
Closing net book amount	824	103	927
At 31 December 2019			
Cost	2,347	385	2,732
Accumulated amortisation	(1,523)	(282)	(1,805)
Net book amount	824	103	927

Amortisation expenses have been charged in "General and administrative expenses" in the consolidated statement of comprehensive income.

17 SUBSIDIARIES

Particulars of the principal subsidiaries

Company name	Place and date of incorporation/ establishment	Registered/issued and paid-up capital	Attributable equity interest of the Group 31 December 2018	Attributable equity interest of the Group **31 December 2019**	Principal activities and place of operation
Directly owned					
Wenye International Holdings Limited	BVI on 29 November 2018	US$50,000	100%	**100%**	Investment holding, BVI
Indirectly owned					
Wenye International (HK) Holdings Limited	Hong Kong on 30 November 2018	HK$1	100%	**100%**	Investment holding, Hong Kong
Sosang (HK) Holdings Limited	Hong Kong on 3 December 2018	HK$1	N/A	**100%**	Investment holding, Hong Kong
Shenzhen Wenye Construction Group Co., Ltd. 深圳市文業建築工程集團有限責任公司	the PRC on 25 December 2018	RMB7,000,000	100%	**100%**	Investment holding, the PRC
Wenye Construction and Decoration (Guangzhou) Co. Ltd. 文業建築裝飾(廣州)有限公司	the PRC on 23 October 2018	RMB7,000,000	100%	**100%**	Investment holding, the PRC
Shenzhen Wenye Industrial Co., Ltd. 深圳文業實業有限公司	the PRC on 12 November 2018	RMB4,000,000	100%	**100%**	Investment holding, the PRC
Shenzhen Wenye Decoration Design Engineering Co., Ltd. 深圳文業裝飾設計工程有限公司	the PRC on 23 January 1989	RMB138,000,000	100%	**100%**	Provision of interior and exterior building decoration and design services, the PRC
Hefei City Wenye Decoration Engineering Company Limited 合肥市文業裝飾工程有限公司	the PRC on 26 July 2013	RMB100,000	100%	**N/A** ***Note (i)***	Provision of interior and exterior building decoration and design services, the PRC
Huizhou Shen Wenye Curtain Wall Decoration Co., Ltd. 惠州市深文業幕牆裝飾有限公司 ("Huizhou Wenye")	the PRC on 23 December 2015	RMB1,455,000	51%	**0%** ***Note (ii)***	Manufacture and process of decoration materials, the PRC

Notes:

(i) The company was liquidated in 19 June 2019.

(ii) Pursuant to a sale and purchase agreement date of 27 February 2019, Wenye Decoration disposed of all of its equity interest in Huizhou Wenye to an independent third party, at a consideration of RMB300,000 (Note 31).

All companies now comprising the Group have adopted 31 December as their financial year end date.

18 LEASES

(a) Right-of-use assets

	Properties
	RMB'000
Year ended 31 December 2018	
Opening net book amount	20,886
Additions	868
Depreciation expense *(Note 8)*	(3,335)
Closing net book amount	18,419
At 31 December 2018	
Cost	27,995
Accumulated depreciation	(9,576)
Net book amount	18,419
Year ended 31 December 2019	
Opening net book amount	18,419
Addition	3,097
Depreciation expense *(Note 8)*	(3,423)
Disposal of a subsidiary *(Note 31)*	(1,026)
Closing net book amount	17,067
At 31 December 2019	
Cost	29,066
Accumulated depreciation	(11,999)
Net book amount	17,067

18 LEASES *(continued)*

(b) Lease liabilities

	2019 RMB'000	2018 RMB'000
Minimum lease payments due		
– Within 1 year	**9,052**	8,244
– Between 1 and 2 years	**9,378**	8,581
– Between 2 and 5 years	**29,364**	27,258
– Later than 5 years	**171**	10,186
	47,965	54,269
Less: future finance charges	**(7,605)**	(10,289)
Present value of lease liabilities	**40,360**	43,980

	2019 RMB'000	2018 RMB'000
Within 1 year	**6,492**	5,395
Between 1 and 2 years	**7,286**	6,125
Between 2 and 5 years	**26,413**	22,741
Later than 5 years	**169**	9,719
Total lease liabilities	**40,360**	43,980

The Group leases various office premises and warehouse for operation. Property leases are typically made for fixed period of 3 to 12 years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Depreciation expenses have been charged in "General and administrative expenses" in the consolidated statement of comprehensive income.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

19 DEFERRED INCOME TAX ASSETS

The analysis of deferred income tax assets is as follows:

	2019	2018
	RMB'000	RMB'000
Deferred income tax assets	**44,572**	30,695

The movements in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Net impairment losses on financial and contract assets
	RMB'000
At 1 January 2018	24,963
Credited to the consolidated statements of comprehensive income	5,732
At 31 December 2018	30,695
At 1 January 2019	30,695
Credited to the consolidated statements of comprehensive income	13,877
At 31 December 2019	44,572

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB102,000 (2018: RMB174,000) in respect of losses amounting to RMB409,000 at 31 December 2019 (2018: RMB1,706,000) that can be carried forward against future taxable income for 5 years.

Deferred income tax liabilities RMB32,923,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries at 31 December 2019 (2018: RMB27,187,000). Such amounts are considered by the directors to be permanently reinvested.

20 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**1,122,243**	822,260
Less: provision for impairment of trade receivables	**(169,406)**	(116,680)
Trade receivables, net *(Note (a))*	**952,837**	705,580
Retention receivables	**110,523**	111,118
Less: provision for impairment of retention receivables	**(1,365)**	(873)
Retention receivables, net *(Note (c))*	**109,158**	110,245
Deposits *(Note (d))*	**26,092**	25,157
Less: provision for impairment of deposits	**(1,400)**	(1,400)
Deposits, net *(Note (d))*	**24,692**	23,757
Bills receivable *(Note (b))*	**4,772**	10,452
Prepayments	**12,317**	9,124
Advances to staff	**1,707**	2,912
Other receivables	**733**	335
	1,106,216	862,405
Less non-current portion:		
Deposits	**(2,154)**	(4,388)
Retention receivables	**(73,702)**	(54,160)
	(75,856)	(58,548)
Current portion	**1,030,360**	803,857

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.

20 TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The credit terms of trade receivables are generally stated as up to 60 days from the invoice date. As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2019	2018
	RMB'000	RMB'000
Unbilled revenue *(Note (i))*	**847,314**	665,456
Within 30 days	**48,897**	26,878
31 days to 6 months	**53,506**	38,071
6 months to 1 year	**56,671**	24,499
1 year to 2 years	**49,760**	34,575
2 years to 3 years	**33,110**	22,251
Over 3 years	**32,985**	10,530
	1,122,243	822,260

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 31 December 2019 (2018: Same), trade receivables were pledged as collateral for the Group's certain bank borrowings (Note 27).

In year 2015, a claim was made by a customer seeking compensation for unsatisfactory quality of construction works performed by the Group. A ruling in favour of Wenye Decoration has been lodged by the Higher People's Court and the customer has lodged an appeal, which is currently under consideration by the Higher People's Court. The directors as advised by their legal counsel, are of the opinion that while the proceedings are ongoing, the possibility of paying compensation to the customer is remote. The Group has made the provision for impairment of trade receivable from this customer. As at 31 December 2019, the provision for impairments for such trade receivables amounted to RMB23,680,000 (2018: RMB23,680,000), as the balance was considered as irrecoverable. The customer has declared bankruptcy in December 2019.

(b) As at 31 December 2019 and 2018, the ageing analysis of the bill receivables based on the invoice date is as follows:

	2019	2018
	RMB'000	RMB'000
Within 30 days	**1,810**	847
31 days to 6 months	**2,597**	6,250
6 months to 1 year	**315**	3,155
1 year to 2 years	**–**	200
	4,722	10,452

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

20 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(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 2019 and 2018, the ageing analysis of the retention receivables based on the retention period expiry date is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	36,821	56,958
1 year to 2 years	73,702	54,160
	110,523	111,118

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

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

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

21 RESTRICTED CASH

As at 31 December 2019, restricted cash represented bank deposits held at banks as collateral for the issuance of the bills payables, letter of guarantee and other bank borrowings. (2018: Same)

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

22 CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash at banks	46,684	87,206
Maximum exposure to credit risk	46,684	87,206

As at 31 December 2019 and 2018, the carrying amount of cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	46,609	87,206
HK$	75	–
	46,684	87,206

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.

23 SHARE CAPITAL

	Notes	Number of ordinary shares	Equivalent nominal value of ordinary share RMB'000
Authorised:			
3,800,000,000 shares of HK$0.0001 each	*(i)*	3,800,000,000	327
Issued:			
Issued on 13 November 2018 (date of incorporation)	*(i)*	1	–
Shares issued pursuant to the Reorganisation	*(ii)*	1	–
Balance at 31 December 2018		2	–
Shares issued pursuant to the Reorganisation	*(iii)*	989,998	–
Balance at 31 December 2019		990,000	–

Notes:

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

(ii) On 13 December 2018, the Company allotted and issued 1 share to Chenli Holdings Limited.

(iii) On 7 January 2019, as part of the Reorganisation (refer to Note 1.2), the Company allotted and issued an aggregate of 497,566, 42,800, 39,850, 42,999, 50,000, 180,000, 76,800 and 59,983 shares for cash at par to Fanshaozhou Holdings Limited, Linyongqi Holdings Limited, Lijueqing Holdings Limited, Chenli Holdings Limited, Sosang Holdings, Wenye Elite Holdings Limited, Wenye Talent Holdings Limited and Wenye Innovator Holdings Limited, respectively.

Wenye Innovator Holdings Limited holds the shares of the Company as a settlor for the shares on trust under the RSU Scheme, which is approved and adopted by the Company on 13 March 2019. The directors are of the view that such shares are with the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance. As at 31 December 2019 and up to the report date, no RSU has been granted by the Company pursuant to the RSU Scheme.

(iv) On 14 January 2020, the Company issued an additional 444,510,000 shares (the "Capitalisation Issue"), credited as fully paid to the Company, by way of capitalisation of the sum of HK$44,451 standing to the credit of the share premium account of the Company. On the same day, in connection with the Listing of the Company's shares, the Company issued 148,500,000 shares at a price of HK$1.06 per share for a total of HK$157,410,000 (equivalent to RMB143,913,000) before deducting related expenses.

24 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserves RMB'000 *(Note (i))*	Translation reserve RMB'000	Total RMB'000
Balance at 1 January 2018	147,079	14,752	–	161,831
Contribution from shareholders *(Note (ii))*	2,100	–	–	2,100
Transfer to statutory reserves	–	6,964	–	6,964
Balance at 31 December 2018	149,179	21,716	–	170,895
Balance at 1 January 2019	149,179	21,716	–	170,895
Contribution from a shareholder	37	–	–	37
Deemed distribution to shareholders *(Note (iii))*	(6,646)	–	–	(6,646)
Deregistration of a subsidiary	–	(30)	–	(30)
Transfer to statutory reserves	–	10,125	–	10,125
Translation reserve	–	–	6	6
Balance at 31 December 2019	142,570	31,811	6	174,387

Notes:

(i) In accordance with relevant rules and regulations in the PRC and the Company's Articles of Association, the PRC subsidiaries are required to transfer not less than 10% of their profit after taxation calculated under PRC accounting standards and regulations to the reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years losses or to increase the capital of respective companies.

(ii) On 23 October 2018, Wenye Construction was established in the PRC with initial registered capital of RMB2,100,000 as part of the Reorganisation.

(iii) On 4 January 2019, an equity transfer agreement was entered into between WFOE and each of the then shareholders of Wenye Construction, pursuant to which WFOE acquired the then shareholders' equity interests in Wenye Construction at an aggregate cash consideration of RMB6,646,000, which was accounted for as a deemed distribution to shareholders.

25 NON-CONTROLLING INTERESTS

As at 31 December 2018, no individual non-controlling interests were considered material to the Group.

As at 31 December 2019, after the disposal of a 51% subsidiary (Note 31), there is no non-controlling interests to the Group.

26 TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**874,196**	701,460
Bills payables	**4,738**	3,301
	878,934	704,761
Accruals and other payables		
– Accrued staff benefits	**8,973**	8,491
– Other taxes payable	**114,869**	72,235
– Accruals for listing expenses	**6,454**	1,073
– Other accruals and other payables	**18,977**	8,288
	149,273	90,087
	1,028,207	794,848

As at 31 December 2019 and 2018, the carrying amounts of trade and other payables approximate their fair values and denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**1,026,534**	794,014
HK$	**1,579**	740
United States dollars ("US$")	**94**	94
	1,028,207	794,848

As at 31 December 2019 and 2018, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2019 RMB'000	2018 RMB'000
Within 30 days	**730,890**	653,451
31 days to 6 months	**59,231**	29,764
6 months to 1 year	**30,459**	5,454
1 year to 2 years	**42,747**	14,432
2 year to 3 years	**13,979**	1,660
Over 3 years	**1,628**	–
	878,934	704,761

27 BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Non-current		
Bank borrowings	**13,200**	295
Current		
Bank borrowings	**169,983**	110,369
Total bank borrowings	**183,183**	110,664

Bank borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**169,983**	110,369
Between 1 and 2 years	**–**	295
Between 2 and 5 years	**13,200**	–
	183,183	110,664

The bank borrowings bear interest at floating rate that are market dependent. The weighted average interest rates during the year were as follows:

	2019	2018
Bank borrowings	**6.2%**	5.8%

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

27 BANK BORROWINGS *(continued)*

As at 31 December 2019, the Group had aggregate banking facilities of RMB261,672,000 (2018: RMB140,663,000). The Group's banking facilities are subject to annual review and are secured and guaranteed by:

(i) The Group's land and buildings of RMB3,048,000 as at 31 December 2019 (2018: RMB3,401,000) *(Note 14)*;

(ii) The Group's trade receivables *(Note 20)*;

(iii) The corporate guarantee executed by a related company, Shenzhen Wenye Xing Investment Enterprises ("Wenye Xing") *(Note 32(e))*;

(iv) Certain properties owned by certain shareholders and related parties of the Group *(Note 32(e))*; and

(v) Limited personal guarantee executed by the shareholders, Mr. Fan Shaozhou, Mr. Chen Li, Mr. Deng Guanghui, Mr. Wan Neng, Ms. Huang Jin, Mr. Lin Yongqi, Mr. Peng Weizhou and related parties, Ms. Ye Jinhua, Ms. Li Guoying and Ms. Peng Suyuan of the Group *(Note: 32(e))*.

Such guarantees from shareholders and related parties, and properties owned by certain shareholders and related parties of the Group as the security were in process of release as at 31 December 2019.

28 OTHER BORROWINGS

	2019 **RMB'000**	2018 RMB'000
Other borrowings	**4,979**	9,069

Notes:

(i) As at 31 December 2019, the Group had a financing arrangement with a supply chain finance company, an independent third party in the PRC, which acts as an agent to finance certain procurement of raw materials and consumables. Under the arrangement, the Group bears the interest at a rate of 1.5% per month on the outstanding borrowing amounts of such other borrowings, which are unsecured and have a term of repayment of 60 days after the settlement of the relevant purchase. The carrying amounts were RMB4,979,000 as at 31 December 2019 (2018: RMB9,069,000).

(ii) On 24 January 2019, Shenzhen Wenye Construction Group Co., Ltd. ("WFOE") entered into a loan agreement of RMB7,000,000 with a PRC financial institution for the purpose of acquiring the equity interests in Wenye Construction from the then shareholders. The borrowing was secured by a restricted deposit of RMB7,000,000 of Wenye Decoration, with an interest rate of 0.6% per month, and was repayable within six months from the drawdown date. The borrowing was fully repaid on 26 April 2019.

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

29 CASH FLOWS INFORMATION

(a) Cash generated (used in)/from operations:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**59,340**	83,141
Adjustments for:		
Depreciation of property, plant and equipment	**3,520**	4,152
Depreciation of investment properties	**2,544**	2,553
Amortisation of intangible assets	**403**	423
Depreciation of right-of-use assets	**3,423**	3,335
Finance income	**(132)**	(595)
Finance cost	**11,185**	10,041
Net impairment losses on financial and contract assets	**55,507**	22,627
Gain on disposal of a subsidiary	**(529)**	–
Operating profit before changes in working capital	**135,261**	125,677
Changes in working capital:		
Contract assets	**(143,949)**	(175,352)
Trade and other receivables	**(292,661)**	(46,235)
Restricted cash	**(6,563)**	29,733
Trade and other payables	**233,501**	103,403
Contract liabilities	**6,598**	9,480
Advance from related parties	**848**	–
Cash (used in)/generated from operations	**(66,965)**	46,706

29 CASH FLOWS INFORMATION *(continued)*

(b) Cash flow information – financing activities

The movements of liabilities from financing activities for each of the years ended 31 December 2019 and 2018:

	Borrowings and interest paid	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	119,733	43,980	163,713
Non cash – interest cost	8,250	2,935	11,185
Non cash – additions of lease liabilities	–	3,097	3,097
Cash flow – financing activities	60,179	(8,507)	51,672
Disposal of a subsidiary	–	(1,145)	(1,145)
At 31 December 2019	188,162	40,360	228,522
At 1 January 2018	115,054	47,941	162,995
Non cash – interest cost	6,847	3,194	10,041
Non cash – additions of lease liabilities	–	868	868
Cash flow – financing activities	(2,168)	(8,023)	(10,191)
At 31 December 2018	119,733	43,980	163,713

30 COMMITMENTS

(a) Operating lease commitments – Group as lessor

The Group leases various office premise under non-cancellable operating lease. The leases terms are between 1 to 6 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	2019	2018
	RMB'000	RMB'000
No later than 1 year	**7,627**	6,524
Later than 1 year and no later than 5 years	**1,640**	2,042
	9,267	8,566

(b) Capital commitments

As at 31 December 2019, the Group and the Company did not have any significant capital commitments (2018: Nil).

31 DISPOSAL OF A SUBSIDIARY

Pursuant to a sale and purchase agreement dated 27 February 2019, Wenye Decoration disposed of its 51% interest in Huizhou Wenye to an independent third party at a consideration of RMB300,000.

	RMB'000
Consideration:	
– Cash consideration receivable *(Note)*	300
	300
Less:	
Attributable equity interests to the Group	
– Property, plant and equipment *(Note 14)*	252
– Right-of-use assets *(Note 18(a))*	1,026
– Other receivables	114
– Cash and cash equivalents	16
– Lease liabilities	(1,145)
– Trade and other payables	(142)
– Amount due to holding company	(891)
– Current income tax liabilities	(116)
	(886)
Less:	
Non-controlling interest de-recognised	657
Gain on disposal of the subsidiary *(Note 7)*	529

Proceed from disposal of the subsidiary in the consolidated cash flow statements:

	RMB'000
Received consideration of disposal of a subsidiary	300
Less: cash and cash equivalents of the subsidiary	(16)
Net cash inflow from the disposal	284

Note:

The consideration receivable in relation to disposal has been settled as at 31 December 2019.

32 RELATED PARTY TRANSACTIONS

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

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the year ended 31 December 2019:

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

Name of related parties	**Relationship with the Group**
Mr. Fan Shaozhou	Controlling Shareholder
Mr. Wan Neng	Shareholder
Ms. Huang Jin	Shareholder
Mr. Lin Yongqi	Shareholder
Mr. Chen Li	Shareholder
Mr. Deng Guanghui	Shareholder
Mr. Gan Qingxin	Shareholder of Wenye Decoration up to 6 January 2019; shareholder since 7 January 2019
Mr. Han Kailong	Shareholder of Wenye Decoration up to 6 January 2019; shareholder since 7 January 2019
Mr. Peng Weizhou	Shareholder of Wenye Decoration up to 6 January 2019; shareholder since 7 January 2019
Ms. Ye Jinhua	Spouse of Mr. Fan Shaozhou, the controlling shareholder
Ms. Li Guoying	Spouse of Mr. Wan Neng, shareholder
Ms. Peng Suyuan	Spouse of Mr. Lin Yongqi, shareholder
Shenzhen Wenye Xing Investment Enterprise （深圳市文業興投資企業（有限合夥）） (‘Wenye Xing”)	The then shareholder of a subsidiary up to 4 January 2019
Wenye Jiangtun (Shenzhen) Information Technology Co., Ltd. （文業江豚（深圳）信息技術有限公司） (“Wenye Jiangtun”)	Controlled by Mr. Fan Shaozhou, the controlling shareholder

32 RELATED PARTY TRANSACTIONS *(continued)*

(b) The following transactions were carried out with related parties:

Save as disclosed elsewhere in this report,during the year ended 31 December 2019, the following transactions were carried out with related parties:

	2019 **RMB'000**	2018 RMB'000
Rental income from subleasing to Wenye Xing	**–**	12
Rental income from subleasing to Wenye Jiangtuan	**54**	9

The transactions were conducted in the normal course of business at prices and terms as agreed between the Group and the related parties.

(c) Key management compensation

Key management includes the directors of the Group. The compensation paid or payable to key management for employee services is disclosed in Note 9.

(d) Amounts due from/(to) related parties

	2019 **RMB'000**	2018 RMB'000
Non-trade receivables from		
Mr. Chen Li	**–**	265
Mr. Gan Qingxin	**–**	1,586
Mr. Fan Shaozhou	**–**	1,412
Mr. Deng Guanghui	**–**	927
Wenye Jiangtun	**–**	18
Wenye Xing	**–**	7
	–	4,215
Non-trade payables to		
Mr. Chen Li	**(431)**	–
Mr. Han Kailong	**(417)**	–
	(848)	–

As at 31 December 2019 and 2018, non-trade receivables/non-trade payables balances from/to related parties were unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with related parties are denominated in RMB.

32 RELATED PARTY TRANSACTIONS *(continued)*

(e) Guaranteed by related parties

Certain banking facilities available to the Group were secured limited guarantees provided by the shareholders, who are Mr. Fan Shaozhou, Mr. Wan Neng, Ms. Huang Jin, Mr. Lin Yongqi, Mr. Chen Li, Mr. Deng Guanghui, and Mr. Peng Weizhou and related parties, who are Ms. Ye Jinhua, Ms. Li Guoying, Ms. Peng Suyuan and Wenye Xing and certain properties owned by Ms. Huang Jin, Mr. Wan Neng and Ms. Li Guoying as at 31 December 2019 and 2018 as disclosed in Note 27.

Such guarantees from shareholders and related parties, and properties owned by certain directors and shareholders of the Group as the security were in process of release as at 31 December 2019.

33 FINANCIAL INSTRUMENTS BY CATEGORIES

	2019 RMB'000	2018 RMB'000
Assets per consolidated statements of financial position:		
Financial assets carried at amortised cost		
– Trade and other receivables	**1,092,192**	850,369
– Amounts due from related parties	**–**	4,215
– Restricted cash	**7,640**	1,077
– Cash and cash equivalents	**46,684**	87,206
	1,146,516	942,867

	2019 RMB'000	2018 RMB'000
Liabilities per consolidated statements of financial position:		
Financial liabilities carried at amortised cost		
– Trade and other payables	**904,365**	714,122
– Amount due to related parties	**848**	–
– Bank borrowings	**183,183**	110,664
– Other borrowings	**4,979**	9,069
– Lease liabilities	**40,360**	43,980
	1,133,735	877,835

34 CONTINGENT LIABILITIES

The Group has the following material contingent liabilities:

(i) In April 2012, Wenye Decoration subcontracted certain construction works to a subcontractor ("the Subcontractor"), which in turn engaged other subcontractors ("Other Subcontractors") to perform the work, while the Other Subcontractors further engaged construction workers to provide the services. In December 2018, claims in aggregate of approximately RMB9,622,000 were lodged to the trial court against Wenye Decoration by certain construction workers. In June 2019, a ruling against Wenye Decoration was made by the trial court and Wenye Decoration was obliged to settle approximately RMB9,347,000 to the construction workers. Based on the advice from Wenye Decoration's litigation lawyer, Wenye Decoration has lodged an appeal to the trial court. In November 2019, the trial court has rescinded the original judgement and sent back the case for re-trial. The directors considered that 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.

35 FINANCIAL GUARANTEE

During the years ended 31 December 2019 and 2018, the Group provided corporate guarantees to several independent third parties on the banking facilities granted to them. The financial guarantees provided by the Group were released on 7 August 2019. As at 31 December 2019 and 2018, no borrowing was drawdown by these parties.

36 EVENTS AFTER THE REPORTING PERIOD

(i) On 14 January 2020, the Company issued an additional 444,510,000 shares (the "Capitalisation Issue"), credited as fully paid, to the Company, by way of capitalisation of the sum of HK$44,451 standing to the credit of the share premium account of the Company. On the same day, in connection with the Listing of the Company's shares, the Company issued 148,500,000 shares at a price of HK$1.06 per share for a total of HK$157,410,000 (equivalent to RMB143,913,000) before deducting related expenses.

(ii) Following the outbreak of Coronavirus Disease 2019 the ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. The Group will also continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extend of which could not be estimated as at the date of approval of these financial statements.

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of Financial Position of the Company

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**16,212**	–
Current assets			
Prepayments		**6,003**	–
Total assets		**22,215**	–
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**–**	–
Other reserve	*(b)*	**16,211**	–
Accumulated losses		**(18,955)**	–
Total deficit		**(2,744)**	–
LIABILITIES			
Current liabilities			
Other payables		**6,454**	–
Amounts due to subsidiaries		**18,505**	–
Total liabilities		**24,959**	–
Total deficit and liabilities		**22,215**	–

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