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
2020

CONTENTS

Corporate Information	2
Definition	4
Chairman’s Statement	6
Management Discussion and Analysis	11
Five-Year Financial Summary	16
Biographies of Directors and Senior Management	17
Directors’ Report	21
Corporate Governance Report	35
Independent Auditor’s Report	51
Consolidated Statement of Comprehensive Income	57
Consolidated Statement of Financial Position	58
Consolidated Statement of Changes in Equity	60
Consolidated Statement of Cash Flows	61
Notes to the Consolidated Financial Statements	62

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)
Mr. Peng Weizhou（彭偉周）
(Appointed on 2 July 2020)
Ms. Huang Jin（黃瑾）
(Vice president and joint company secretary, resigned on 30 June 2020)

Non-Executive Directors

Mr. Deng Guanghui（鄧光輝）
Mr. Chen Li（陳立）
Mr. Lin Yongqi（林永琪）
(Resigned on 30 June 2020)

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

20/F Block E, Bao Neng Central
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Sungang Subdistrict, Luohu District,
Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

JOINT COMPANY SECRETARY

Ms. Mak Po Man Cherie（麥寶文）
(ACCA, CPA, ACG, ACS, MCG)
Ms. Huang Jin（黃瑾）
(Resigned on 30 June 2020)

AUTHORISED REPRESENTATIVES

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

COMPLIANCE ADVISER

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COSCO Tower
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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
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
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Shenzhen Branch, Zhenhua sub-branch
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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

"Articles of Association"	:	the amended and restated articles of association of the Company (as amended from time to time)
"Board"	:	board of Directors of the Company
"BVI"	:	British Virgin Islands
"Chenli Holdings"	:	Chenli Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and is one of the Company's 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
"ESOP Holdings"	:	Wenye Innovator Holdings Limited, a company incorporated under the laws of BVI with limited liability on 29 November 2018 and is one of the Company's Shareholders
"Fanshaozhou Holdings"	:	Fanshaozhou Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 16 October 2018 and is one of the Company's Controlling Shareholders
"Global Offering"	:	the offer of H Shares by the Company for subscription by the public in Hong Kong, and in offshore transactions outside the United States and only to Qualified Institutional Buyers (QIBs) in the United States, the details of which are set out in the Prospectus
"Group"	:	the Company and its subsidiaries
"Hong Kong "	:	the Hong Kong SAR
"HK$"	:	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Date"	:	14 January 2020, the Shares in issue were initially on the Main Board of the Stock Exchange
"Listing Rules"	:	Rules Governing the Listing of Securities and the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"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
"Prospectus"	:	the prospectus of the Company dated 31 December 2019 in connection with the Global Offering
"R&D"	:	research and development
"RSU Scheme"	:	restricted share unit scheme
"RMB"	:	Renminbi, the lawful currency of the People's Republic of China
"Share(s)"	:	ordinary share(s) of HK$0.0001 each in the share capital of the Company
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Wenye Decoration"	:	Shenzhen Wenye Decoration Design Engineering Co., Ltd, a wholly owned subsidiary of the Company
"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 the Company's 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 the 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 Wenye Group Holdings Limited and its subsidiaries, I would like to present the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Year**").

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

FINANCIAL PERFORMANCE

The Group's revenue in 2020 decreased as compared to the previous year. The Group's revenue for the Year was RMB1,247.6 million, representing a decrease of 19.9% as compared with that of 2019. The decrease was mainly due to the delay in work progress of our projects as a result of the government's measures such as quarantine, lockdown and travel restrictions after the outbreak of Coronavirus Disease 2019 ("**COVID-19**") in the first half of 2020 and the shortage of labor and materials in some of our project locations. In the second half of the Year, the Group timely adjusted its business strategy, accelerated the construction progress of its projects and actively undertook new projects. Through the concerted efforts of the management and all staff, the Group achieved a significant increase in revenue in the second half of the Year as compared to the first half of the Year.

BUSINESS REVIEW AND OUTLOOK

During the Year, the Group undertook total 432 new projects with a total contract amount of RMB1,649.3 million. As of 31 December 2020, the Group had total 272 projects under construction, with the outstanding contract amount of RMB1,077.2 million. In the first half of 2020, due to the outbreak of COVID-19, the government was forced to implement certain pandemic prevention and control measures such as lockdown and suspension of work and production. In order to cooperate with the government's pandemic prevention measures and protect the lives and health of employees, the Group suspended the building decoration activities from the beginning of the Spring Festival in 2020 til the end of March 2020, and only resumed the construction of building decoration projects in the second quarter of 2020. After the PRC government allowed resumption of work, the Group actively resumed work and production, while taking effective anti-pandemic measures by distributing anti-pandemic supplies to employees in order to protect their lives and health and ensure the overall progress of various projects.

As a long-established building decoration enterprise with a long history, the Group still proactively applied for new qualifications and expanded its business areas and scopes building on the foundation that the Company has relatively comprehensive qualifications. In 2020, the Group newly obtained the third-class general contracting qualification for construction projects, which further enhanced the Group's qualifications that paving a solid way for the Group to explore new markets and generate more business income in the future.

As a result of the strong measures taken by the PRC government to control the pandemic in China, the economy has taken the lead to recover. The recovery and growth of the domestic economy are of high significance to the Group, signifying that the major business markets of the Group are still growing, and the Group is firmly confident in the future development. The pandemic severely hit the building decoration industry, and many small decoration enterprises may face close down. It will accelerate the survival of the fittest in the building decoration industry in China, while indirectly promoting the transformation and upgrading of the building decoration industry chain domestically. Nevertheless, more opportunities will emerge after the crisis. Hence, in order to seize the opportunities in the post-pandemic era, the Group accelerates its development to forge ahead to a new level of development. In the future, the Group will capture the growth after the pandemic stabilizes, secure the fundamental unswerving of traditional channels, and actively seize the opportunities of emerging channels. In addition, it will closely track changes in the demand side and promote the recovery of overall production capacity. In response to the industry reform after the pandemic, the Group will make innovative layout for its business model.

MARKET CONDITIONS

The building decoration industry has a long history of development in China. In recent years, with the rapid growth of China's economy and the acceleration of urbanization, China's real estate and construction industry have continued to grow, and the building decoration industry has shown huge development potential. The building decoration industry has maintained a relatively high growth rate in recent years. According to the data published by China Building Decoration Association, the total output value of the building decoration industry in China increased from RMB2.10 trillion in 2010 to RMB4.22 trillion in 2018, representing a CAGR of 9.12%. In 2019, the total output value of the building decoration industry was approximately RMB4.6 trillion. In 2020, the building decoration industry in China was affected by the COVID-19 pandemic, and many public building decoration projects and interior building decoration projects were forced to be suspended. In the long run, the size of the domestic building decoration market is still in a growth momentum, albeit suppressed, it could have a strong rebound after the pandemic.

At present, the size of the domestic building decoration market is still expanding, but it is still in a relatively dispersed state in general, and the industry concentration is relatively low. However, the competition landscape has already changed, which is gradually shifting from a fragmented market to a concentrated one. The leading building decoration enterprises continue to develop and expand, and become the industry benchmark.

In general, the building decoration industry in which the Group operates still has great room for development. Firstly, China is still in the stage of rapid development of urbanization. And the building decoration industry, including public building decoration industry and residential housing, will maintain its growing momentum. Secondly, the development of the building decoration industry has the characteristics of multiplier effect and sustainable market demand. Unlike the one-off completion of engineering business such as civil construction industry and equipment installation industry, each building needs to undergo multiple decoration and renovation during the whole life cycle from the completion of its construction to the end of its service life. Therefore, the building decoration industry still has broad development prospects.

CORPORATE RISK AND GOVERNANCE

The Group strictly complies with relevant laws and regulations in the course of business operation. The Group integrates risk management into its daily business operations, and manages and controls the risks in the Group's operations by formulating relevant rules and regulations, holding regular management meetings and Board meetings.

In accordance with the relevant listing rules of the Hong Kong Stock Exchange, the Group has established the Remuneration Committee, the Nomination Committee and the Audit Committee, and has strictly complied with the corporate governance code of the Hong Kong Stock Exchange and the code of conduct of directors, which effectively reduced the compliance risk of the Group. In addition, the Group will continue to improve its corporate structure and enhance its risk management capabilities to minimize the risks arising from its business operations.

FINANCIAL MANAGEMENT

The Group was listed on the Hong Kong Stock Exchange on 14 January 2020. After deducting the relevant listing expenses, the Group raised net proceeds of HK$107.4 million in total. The Group will regulate the use of proceeds in accordance with the requirements of proceeds management. The Group adheres to the principles of reasonableness and prudence, and strives to ensure that financial indicators such as gearing ratio and cash flow are at a reasonable level, so that the Group's financial position is maintained at a good level.

Due to the impact of the COVID-19 pandemic, the Group's receivables and cash flows are under greater pressure. In order to ensure the sustainability of the Group's business and sufficient cash flow, the Group will pay close attention to the settlement of receivables and improve the financial operation efficiency to secure timely and safe settlement.

Since its establishment, the Group has always adhered to the business philosophy of law-abiding and trustworthy, and maintained good corporate credit. In 2018, the Group obtained the "AAA" corporate credit rating certificate issued by China Building Decoration Association（中國建築裝飾協會）, valid until August 2021. In 2020, the Group received the "AAA" credit rating certificate issued by Shenzhen Nanfang Credit Rating Co., Ltd.（深圳南方資信評估有限公司）and "The contract-abiding and creditworthy enterprise in Guangdong Province for 13 consecutive years" certificate（「連續十三年廣東省守合同重信用企業」證書）issued by Guangdong Administration for Market Regulation（廣東省市場監督管理局）.

RESEARCH, DEVELOPMENT AND INNOVATION

As a building decoration enterprise, the Group attaches high importance to the accumulation of its own R&D and innovation capabilities, and improves the Group's R&D and innovation capabilities and construction processes through continuous input. In 2020, the Group obtained a total of five patents for utility models. The three technologies applied by the Group, namely "stone fire hydrant door component construction technology"（「石材消防栓門構件施工技術」）, "large-scale aluminum grating ceiling-mounted structure"（「大型鋁格柵吊頂掛件結構」） and "curved light steel longitudinal component construction technology"（「曲面輕鋼龍骨地面支座構件施工技術」）, were awarded the "2020 National Award for Technological Innovation Achievement in Building Decoration Industry"（「2020年全國建築裝飾行業科技創新成果獎」） by China Construction News. With years of continuous input in R&D and innovation, the Group's R&D and innovation capabilities have been significantly improved. In December 2020, the Group obtained the "High and New Technology Enterprise" certification（「高新技術企業」認定證書）jointly issued by Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau and Shenzhen Tax Service, State Taxation Administration, which marked the Group's official entry into a national high and new technology enterprise.

MAJOR AWARDS

With its outstanding construction process and outstanding design capability, the Group was honored with a number of awards in 2020, which was fully recognized by customers and the industry. In September 2020, the "High-quality decoration project of A5-3 # office space in Hanyu Financial & Business Center"（「漢峪金融商務中心A5-3#辦公空間精裝修工程」）undertaken by the Group was awarded the "Gold Award of the 10th China International Space Design Competition (China Building Decoration Design Award)"（「第十屆中國國際空間設計大賽（中國建築裝飾設計獎）金獎」）by China Building Decoration Association（中國建築裝飾協會）. In addition, in September 2020, the Group was awarded the "Silver Award of the 10th China International Space Design Competition (China Building Decoration Design Award)"（「第十屆中國國際空間設計大賽（中國建築裝飾設計獎）銀獎」）by the China Building Decoration Association（中國建築裝飾協會）for the "Design and Decoration of Overnight Houses for Airport Passengers of Chongqing Jiangbei International Airport Eastern Airlines Station and the Third Runway Construction Project Airport"（「重慶江北國際機場東航站區及第三跑道建設工程機場旅客過夜用房裝飾裝修設計」）.

In December 2020, the Group won the "China Construction Engineering Decoration Award (Public Building Decoration Category)"（「中國建築工程裝飾獎（公共建築裝飾類）」）from the China Building Decoration Association（中國建築裝飾協會）for the "Project of Decoration Project of the Office Building of the Headquarters of adidas ITC"（「阿迪達斯ITC總部辦公樓裝修項目」）undertaken by the Group.

In December 2020, the "Interior Decoration Design for Ningbo Eastern New Town A2-A6# Land Project (the New Operation Premises of the Bank of Communications Co., Ltd. Ningbo Branch Headquarters)"（「寧波市東部新城A2-A6#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 China Construction Engineering Decoration Award (Public Building Decoration Design Category)（「中國建築工程裝飾獎（公共建築裝飾設計類）」）issued by the China Building Decoration Association（中國建築裝飾協會）.

In August 2020, the "Building Renovation Project of Huake Technology Building"（「樺科科技大廈裝修工程」）undertaken by the Group was awarded the "2020 Tianjin Construction Engineering Decoration Haihe Cup"（「2020年度天津市建築工程「裝飾海河杯」」）by Tianjin Environmental Decoration Association（天津市環境裝飾協會）.

In July 2020, the "Interior Decoration and Decoration Engineering Design Project for the New Office Building of Great Wall Securities Headquarters"（「長城證券總部新辦公樓室內裝飾裝修工程設計」）project undertaken by the Group was awarded the "2020 Outstanding Construction and Decoration Engineering Award of Guangdong Province"（「2020年廣東省優秀建築裝飾工程獎」）by the Construction and Decoration Branch of Guangdong Construction Industry Association（廣東省建築業協會建築裝飾分會）.

BUSINESS STRATEGIES

1. By focusing on expanding marketing channel network and adhering to the business strategy of "based in Shenzhen and facing the whole country", the Company gradually established a nationwide marketing network.

2. The Group will fully implement the strategic partnership model, establish close partnership with domestic leading large real estate companies and domestic and foreign high-end brand hotel customers, and provide them with all-round, high-quality and high-grade decoration services in the built interior and public spaces.

3. The Company will strive to develop high-end projects with brand effect and demonstration effect such as high-end star hotels, commercial complexes, high-end office buildings, government image projects and landmark public buildings, so as to continuously enhance the brand influence of the Company in the country.

4. Optimizing the Group's resources, developing green, technology and smart building decoration areas, and introducing financial services as the growth rate.

5. The Company will continue to carry out technological innovation, research and launch incentive mechanism in design innovation, technological innovation and management innovation, continuously improve the technical level and technological content of the Company in new material processing and building decoration construction, pursue excellence, and lead the new direction of scientific and technological decoration and environmental protection decoration.

6. We will build a "large-scale decoration" business structure with interior and exterior decoration design and construction as the main focus, and with the support services such as curtain wall, mechanical and electrical installation and intelligence.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the devoted employees and the diligent and professional management of the Group. Furthermore, I would like to extend my sincere gratitude, on behalf of the Board, to our Shareholders and partners for their support, confidence, and concern for the Group.

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, the PRC. We possess a range of the highest level of qualifications and licences in the building decoration industry in the PRC. The Group's projects cover a wide range of buildings and properties, including industrial buildings, public infrastructure, commercial buildings and residential buildings.

The Group's revenue dropped by approximately RMB310.3 million or 19.9% to approximately RMB1,247.6 million for the year ended 31 December 2020 from approximately RMB1,557.9 million for the year ended 31 December 2019. Such decrease was mainly due to the implementation of precautionary and control measures (such as quarantine, lockdown and travel restrictions) by the government authorities in the PRC after the outbreak of COVID-19 in the first half of 2020, resulting in the delay in work schedules of the Group's projects as well as the shortage of labor force and materials in areas where certain of the Group's projects were located (collectively the "**Adverse Factors**").

In the second half of 2020, the Group adjusted its business strategy in a timely manner to speed up the construction progress of the project and actively undertook new projects. Even with the above Adverse Factors, the Group earned the profit attributable to the Shareholders of approximately RMB21.1 million for the year ended 31 December 2020.

Throughout the year of 2020, the Group has signed 432 projects with total contract value (including tax) of approximately RMB1,649.3 million. As at the 31 December 2020, the Group has 272 ongoing projects and the value of unrecognized revenue from outstanding contracts was approximately RMB1,077.2 million.

During review of the reporting period, 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）, Tenth China International Space Design Competition – Golden Award & Silver Award（中國國際空間設計大賽金獎及銀獎）, and 2020 Guangdong Province Excellent Construction Engineering and Decoration Award (2020年廣東省優秀建築裝飾工程獎）. The Group continued to maintain the momentum of research and development. In December 2020, the Group obtained the "High-tech Enterprise" certification jointly issued by Shenzhen Science and Technology Innovation Commission（深圳市科技創新委員會）, Shenzhen Finance Bureau（深圳市財政局）, and Shenzhen Tax Service, State Taxation Administration（國家稅務總局深圳市稅務局）, marking that the Group has officially entered the ranks of national high-tech enterprises. As at 31 December 2020, the Group maintained 21 registered patents, including 5 new patents obtained in the year of 2020.

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

1. Strategically cooperate with the largest domestic real estate companies and high-end brand international hotels. We intend to provide all-round, high-quality and high-grade decoration services for the companies and hotels mentioned above.

2. Focus on the expansion of the marketing channel, and gradually establish a nationwide marketing network.

3. We intend to undertake some high-end projects with brand and demonstration effects such as high-end star hotels, commercial complexes, high-end office buildings, government projects.

4. We plan to focus on the development of environmentally friendly, technological, and intelligent building decoration.

5. Continue to drive technological innovation. We plan to introduce an incentive mechanism regarding the innovation for design, technology and corporate management, and continuously improve our technical level in new material processing and architectural decoration construction.

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			
	2020		2019	
	RMB million	**%**	RMB million	%
Revenue from construction services	**1,224.3**	**98.1**	1,533.5	98.4
Design service income	**23.3**	**1.9**	24.4	1.6
Total	**1,247.6**	**100**	1,557.9	100

The Group's revenue decreased to approximately RMB1,247.6 million for the year ended 31 December 2020 from approximately RMB1,557.9 million for the year ended 31 December 2019, representing a decrease of approximately 19.9%. Such decrease was mainly due to the implementation of precautionary and control measures by the government authorities in the PRC after the outbreak of COVID-19 in the first half of 2020, resulting in the delay in work schedules of the Group's projects as well as the shortage of labor force and materials in areas where certain projects of the Group were located.

Cost of sales

The cost of sales of the Group decreased to approximately RMB1,099.0 million for the year ended 31 December 2020 from approximately RMB1,371.0 million for the year ended 31 December 2019, representing a decrease of approximately 19.8%, which is in line with the decrease in revenue due to suspension of the projects caused by the outbreak of COVID-19.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB148.6 million for the year ended 31 December 2020 from approximately RMB186.9 million for the year ended 31 December 2019, representing a decrease of approximately 20.5%. The decrease is in line with the decrease in revenue. Our gross profit margin remains stable and slightly decreased from 12.0% for the year ended 31 December 2019 to 11.9% for the year ended 31 December 2020.

Other income

The Group recorded other income of approximately RMB14.3 million for the year ended 31 December 2020 which mainly comprised rental income from investment properties of approximately RMB2.5 million, government grants of approximately RMB1.2 million, compensation from lawsuit of approximately RMB0.6 million and compensation from termination of a lease contract of approximately RMB10 million.

Other gains/(losses), net

Other gains/(losses), net of the Group for the year ended 31 December 2020 is approximately RMB4.3 million mainly arising from the penalty of lawsuit of approximately RMB14.2 million and loss on disposal of property, plant and equipment of approximately RMB10.1 million which is offset by a gain on termination of a lease contract of approximately RMB20.0 million.

Selling and marketing expenses

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

Selling and marketing expenses increased to approximately RMB9.9 million for the year ended 31 December 2020 from approximately RMB8.4 million for the year ended 31 December 2019, representing an increase of 17.9%. The increase was mainly due to an increase in headcount and their compensation level following the expansion of our operation.

General and administrative expenses

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

The general and administrative expenses decreased to approximately RMB57.0 million for the year ended 31 December 2020 from approximately RMB60.5 million for the year ended 31 December 2019, representing a decrease of approximately 5.8%. The decrease was mainly attributed to (i) the decrease in employee benefit expenses by approximately RMB11.9 million and (ii) the decrease in legal and professional fee by approximately RMB1.8 million.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets decreased by 20.2% from approximately RMB55.5 million for the year ended 31 December 2019 to approximately RMB44.3 million for the year ended 31 December 2020. The decrease of the net impairment losses on financial and contract assets was primarily due to the collection of trade receivable of which the balance is due for over 3 years in the second half of the Year.

Net profit and adjusted profit attributable to owners of the Company

Profit for the year of the Group decreased by 47.0% from approximately RMB39.8 million for the year ended 31 December 2019 to approximately RMB21.1 million for the year ended 31 December 2020. If the non-recurring listing expenses were excluded, the adjusted net profit of the Group for the year ended 31 December 2020 would be revised to approximately RMB33.3 million, representing a decrease of approximately 36.9%, comparing with the adjusted profit attributable to owners of the Company of approximately RMB52.8 million for the year ended 31 December 2019.

Financial position, liquidity and financial resources

Trade and other receivables

The trade and other receivables decreased from approximately RMB1,106.2 million as of 31 December 2019 to approximately RMB991.2 million as of 31 December 2020, representing a decrease of 10.4%. The trade receivables are the amount due from customers and the prepayments to the suppliers and subcontractors.

On 24 February 2020, the Group granted a loan of HK$13,000,000 (equivalent to approximately RMB11,717,000) to an independent third party. The loan bears an interest rate of 1.5% per month and is repayable in one year from the drawdown date on 25 February 2020. Up to the date of this annual report, the Group has received the loan and interest receivables in aggregate of HK$14,012,000 (equivalent to approximately RMB12,050,000).

Trade and other payables

The trade and other payables increased by 0.6% from approximately RMB1,028.2 million as of 31 December 2019 to approximately RMB1,034.8 million as of 31 December 2020. The trade payables are the amounts due to suppliers.

Bank Borrowings

As of 31 December 2020, the Group had bank borrowings of approximately RMB161.3 million (31 December 2019: approximately RMB183.2 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB155.3 million of the bank borrowings are repayable within 1 year. Bank borrowings were secured and guaranteed by the Group's land and building, trade receivables, certain properties owned by certain shareholders and related parties of the Group and limited personal guarantee executed by certain shareholders.

Working capital management

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources. In order to achieve better cost control and minimise its costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated in RMB. The management is also in the process of negotiating with various banks in PRC to raise certain bank borrowings. They will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing. They are confident that the Group will be able to further obtain and draw down financing from banks as and when needed.

The Group also intends to improve its operational efficiency in order to improve the healthiness of the working capital primarily through shortening the collection period of trade receivables.

Liquidity ratios

As of 31 December 2020, the Group has cash and cash equivalents of approximately RMB56.9 million (31 December 2019: approximately RMB46.7 million). The Group's current ratio and gearing ratio are as follows:

	31 December 2020	31 December 2019
Current ratio	**1.41**	1.27
Gearing ratio	**23.2%**	38.3%

Current ratio is calculated by dividing the current assets by the current liabilities as at the respective dates.

Gearing ratio is calculated by dividing the net debt (being total bank and other borrowings and lease liabilities net of cash and cash equivalents) as at the respective dates by equity attributable to our Shareholders as at the respective dates.

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

Significant investments/material acquisitions and disposals

The Group had no other significant investment, nor had it made any material acquisition or disposal of the Group's subsidiaries or associated companies during the year ended 31 December 2020.

Capital commitments

As at 31 December 2020, the Group had no capital commitment.

Contingent liabilities

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

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 2019, claims in aggregate of approximately RMB9.6 million 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 RMB9.3 million 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.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

Foreign currency exposure

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

As at 31 December 2020, foreign exchange risks on financial assets and liabilities denominated in other currencies were insignificant to the Group, and therefore, the Group did not have any hedging activities during the Year.

Important events after the end of the period

The Group had no subsequent event after 31 December 2020 and up to the date of this report.

Charges on the Group's assets

As at 31 December 2020, the Group's land and buildings of RMB4.9 million, investment properties of RMB2.2 million, restricted cash of RMB25 million and trade receivables were pledged as collateral for the Group's borrowings (31 December 2019: land and buildings of RMB5.0 million, investment properties of RMB2.3 million and trade receivables were pledged as collateral of the Group's borrowings).

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,247,561**	1,557,914	1,440,788	1,266,783	1,245,922
Profit before tax	**32,525**	59,340	83,141	76,719	63,234
Income tax expense	**(11,456)**	(19,508)	(23,053)	(20,258)	(17,354)
Profit for the year	**21,069**	39,832	60,088	56,461	45,880

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**109,907**	176,082	152,168	174,034	163,072
Current assets	**1,842,770**	1,646,956	1,316,967	1,117,716	1,037,839
Total assets	**1,952,677**	1,823,038	1,469,135	1,291,750	1,200,911
Equity and liabilities					
Total equity	**625,804**	474,753	440,867	378,679	259,218
Non-current liabilities	**15,454**	47,068	38,880	44,015	47,833
Current liabilities	**1,311,419**	1,301,217	989,388	869,056	893,860
Total liabilities	**1,326,873**	1,348,285	1,028,268	913,071	941,693
Total equity and liabilities	**1,952,677**	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 1.1 to the audited consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Fan Shaozhou (范少周), aged 53, is the chairman, executive Director and chief executive officer of the Group. He is responsible for the overall management, strategic planning and decision-making of the Group.

Mr. Fan has over 26 years of experience in the decoration and design engineering industry. He joined the Group in January 1993 and he served as a project manager of 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 the Company in November 2018 to March 2019, Mr. Fan acted as the sole director of the 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 55, is the executive Director and chief financial officer of the Company. He is responsible for overseeing financial management and formulating financial strategies of the Group.

Mr. Wan has over 13 years of experience in financial management. Mr. Wan joined the 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 the 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 (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.

Mr. Peng Weizhou (彭偉周), aged 51, is the executive Director of the Company.

Mr. Peng is currently serving as the deputy manager and the head of marketing center of Wenye Decoration. He joined the Group in May 2016 as the head of internal audit department of the office of the Board（董事會辦公室內審部主任）of Wenye Decoration, a wholly owned subsidiary of the Company. Prior to joint the Group, Mr. Peng worked at Huizhou Huasu Industrial Co., Ltd.（惠州華速實業有限公司）as the executive director and general manager from January 2014 to October 2017, and at Shenzhen Jiuheng Machinery Equipment Co., Ltd.（深圳市久恒機械設備有限公司）as general manager from August 2001 to December 2013. Mr. Peng was appointed as an executive director of the Company since 2 July 2020.

NON-EXECUTIVE DIRECTORS

Mr. Deng Guanghui (鄧光輝), aged 54, is the non-executive Director of the Company. He is responsible for providing strategic advice and guidance on the business development of the Group.

Mr. Deng joined the 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; and currently acts as the vice president of Wenye Decoration. Mr. Deng has been acting as the supervisor of Wenye Decoration since September 2006. Prior to joining the 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 60, is our non-executive Director of the Company. He is responsible for providing strategic advice and guidance on the business development of the Group.

Mr. Chen has more than 25 years of experience in the decoration and engineering industry. Mr. Chen joined the 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 the 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.（上海明鋭融資租賃有限公司）; as a director of Shanghai Delong Commercial Factoring Co., Ltd.（上海德讋商業保理有限公司）; 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 57, is the independent non-executive Director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. She is responsible for supervising the Board and providing independent judgment to the Group.

Ms. Huang has over 31 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 of Wenye Decoration; and currently outs 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 69, is the independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He is responsible for supervising the Board and providing independent judgment to the 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 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 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 45, is the independent non-executive Director of the Company and a member of the Audit Committee of the Company. He is responsible for supervising our Board and providing independent judgment to the 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 Board is pleased to present its report together with the audited financial statements (the "**Consolidated Financial Statements**") of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group is provision of interior and exterior building decoration and design services in the PRC 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 the 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 11 to 15 of this annual report.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2020 and the financial information of the Group as of 31 December 2020 are set out in the consolidated statement of comprehensive income on page 57 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

DIVIDEND POLICY

The Company has established its dividend policy. When the Company records a profit and after taking into account other relevant factors, we would pay dividend to our shareholders according to the Articles of Association of the Company and applicable laws. However, such dividend is non-guaranteed. Our decision on dividend distribution depends on the financial situation of the Company, future market prospects, company funding needs and any other relevant factors which the Company thinks fit. The remaining net profits after dividend payout (if any) would be used for the development of the Company. Details are set out in the Section headed "Corporate Governance Report".

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2020 AGM**") is scheduled to be held on 23 June 2021. A notice convening the 2020 AGM will be issued and despatched to the shareholders on or before 30 April 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of Shares will be closed from 18 June 21 to 23 June 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM to be held on Wednesday, 23 June 2021, 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 Thursday, 17 June 2021.

USE OF PROCEEDS

On 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.

As of the date of this report, the Group does not anticipate any change to its plan on the use of proceeds as stated in the prospectus dated 31 December 2019 and the unutilised amount of the net proceeds as of 31 December 2020 are deposited in bank accounts of the Group.

		Original allocation of Net Proceeds	**Revised allocation of Net Proceeds**	**Utilised amount (as of 31 December 2020)**	**Unutilised amount (as of 31 December 2020)**	**Expected utilised timeline**
		HK$ million	HK$ million	HK$ million	HK$ million	
Fund the Group's capital needs and cash flow under its existing and expected projects	61.2%	80.2	65.7	65.3	0.4	On or before June 2021
Hiring of additional project managers and designers	8.1%	10.6	8.7	4.7	4.0	On or before December 2021
Improvement of the existing branch offices	20.9%	27.4	22.5	8.5	14.0	On or before December 2021
General working capital	9.8%	12.9	10.5	10.5	–	–
	100%	**131.1**	**107.4**	**89.0**	**18.4**	

SHARE CAPITAL

Details of the shares movement of the Company 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 60 of this report.

As at 31 December 2020, the Company's reserves available for distribution to the shareholders amounted to approximately RMB316.7 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 16 of this annual report.

This summary does not form part of the audited consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2020 are set out in Note 26 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY'S LISTED SECURITIES

During the period from the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DONATIONS

During the Year, in order to support the prevention and control of COVID-19 pandemic, the Group donated approximately RMB10,000 to the Futian Non-Public Economic Organization（福田非公經濟組織）, and donated 10,000 masks to the first-line grid-style social managers of Xiqing（西青一線網格員）of the Xiyingmen Subdistrict Office of Xiqing District, Tianjin City（天津市西青區西營門街道辦事處）to support their anti-pandemic actions. We also organized employees to participate in this mask donation activity.

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 2020 are set out in Note 3 to the consolidated financial statements.

ENVIRONMENTAL POLICY AND ITS PERFORMANCE

The Group is fully aware of the importance of environmental protection and has adopted strict environmental protection measures to ensure compliance with current environmental protection laws and regulations.

During the reporting period and up to the date of this report, the Group has not suffered any fines or penalties for violation of China’s environmental protection laws.

The environmental, social and corporate governance report will be published as an independent report on the websites of the Company and the Stock Exchange.

RSU SCHEME

On 13 March 2019, the RSU Scheme was approved and adopted by the then Directors of the Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of the Group for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the 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 the Company or any member of the Group any person who, in the sole opinion of the Board, has contributed or will contribute to any member of the Group (the "**RSU Eligible Persons**"). The 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 2020, the remaining life of the RSU Scheme was approximately eight 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.

The Company has appointed Wenye Elite Holdings as the trustee (the "**RSU Trustee**") to assist in the administration of the RSU Scheme. The 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. The Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as the 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 2020, no RSU has been granted by the Company pursuant to the RSU Scheme.

EQUITY-LINKED AGREEMENTS

During the Year, 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)*
Mr. Wan Neng（萬能）*(Chief financial officer)*
Mr. Peng Weizhou（彭偉周）*(Appointed on 2 July 2020)*
Ms. Huang Jin（黃瑾）*(Vice president and joint company secretary, resigned on 30 June 2020)*

Non-executive Director

Mr. Deng Guanghui（鄧光輝）
Mr. Chen Li（陳立）
Mr. Lin Yongqi（林永琪）*(Resigned on 30 June 2020)*

Independent Non-Executive Directors (the "INEDs")

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

Mr. Fan Shaozhou (Executive Director), Mr. Wan Neng (Executive Director), Mr. Peng Weizhou (Executive Director) and Mr. Chen Li (Non-executive Director) shall retire by rotation, and offer themselves for re-election at the AGM in accordance with articles 16.2 and 16.18 of the Articles of Association.

The biographical details of the current Directors are disclosed the section headed "Biographies of Directors and Senior Management" on pages 17 to 20 in this annual report.

INDEPENDENCE OF THE INEDs

The Company has received, from each of the INEDs, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Fan Shaozhou, Mr. Wan Neng, being the executive Directors of the Company, and Mr. Deng Guanghui and Mr. Chen Li, being the non-executive Directors of the Company, has entered into a service agreement with the Company for a 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. Mr. Peng Weizhou, an executive Director of the Company, has entered into a service agreement with the Company for a term of three years commencing from 2 July 2020 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of Ms. Huang Guiqing, Mr. Liu Xiaoyi and Mr. Liu Ziping, being the independent non-executive Directors of the Company, has entered 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, subject to termination in certain circumstances as stipulated in the relevant letters of appointment. No service contract that can be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors and members of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for 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 31 to the Consolidated Financial Statements. The related party transactions disclosed in Note 31 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 at 31 December 2020, 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 Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 the Model Code, were as follows:

Name of Directors	**Capacity/Nature of interest**	**Relevant company**	**Number of Shares held** *(Note 1)*	**Approximate percentage of issued share capital** *(Note 2)*
Mr. Fan Shaozhou	Founder of a discretionary trust	Fanshaozhou Holdings *(Note 3)*	173,905,150	29.28%
	Beneficial owner		57,920,000	9.75%
Mr. Wan Neng	Interest in a controlled corporation	Wenye Talent Holdings *(Note 4)*	4,499,712	0.76%
Mr. Peng Weizhou	Interest in a controlled corporation	Wenye Elite Holdings *(Note 5)*	18,561,066	3.12%
Mr. Deng Guanghui	Beneficial owner		9,000,000	1.52 %
Mr. Chen Li	Founder of a discretionary trust	Chenli Holdings *(Note 6)*	19,350,000	3.26%

Notes:

1. All interest stated are long positions.

2. The percentage represents the total number of the Shares held by each director divided by the number of issued Shares of the Company 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 18.84% of the share capital of Wenye Talent Holdings; and Wenye Talent Holdings holds 4.00% of the issued Shares of the Company. Accordingly, Mr. Wan Neng is deemed to be interested in 0.76% of the equity interest of the Company for the purpose of Part XV of the SFO.

5. Mr. Peng Weizhou holds 18.75% of the share capital of Wenye Elite Holdings. Wenye Elite Holdings holds 12.12% of the issued Shares of the Company directly, and holds 4.54% of the Shares of the Company through its wholly-owned subsidiary, ESOP Holdings. ESOP Holdings holds the Shares of the Company as a settlor for the Shares on trust under the Restricted Share Unit Scheme. Accordingly, Mr. Peng Weizhou is deemed to be interest in 3.12% of the equity interest of the Company for the purpose of Part XV of the SFO.

6. 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.

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company had any interests and short positions in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of 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); (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.

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

As at 31 December 2020, so far as the Directors and the chief executive of the Company are aware of, the following persons or entities had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register referred to in section 336 of the SFO.

Name of Shareholders	**Capacity/Nature of interest**	**Numbers of Shares held** *(Note 1)*	**Approximate percentage of the issued share capital** *(Note 2)*
CMB Wing Lung Trustee Limited *(Note 3)*	Trustee of a trust	193,255,150	32.53%
Antopex Limited *(Note 3)*	Interest in a controlled corporation	193,255,150	32.53%
	Nominee for another person	193,255,150	32.53%
Fanshaozhou Holdings *(Note 3)*	Beneficial owner	173,905,150	29.28%
Modest Faith Limited *(Note 3)*	Interest in a controlled corporation	173,905,150	29.28%
Ms. Ye Jinhua（葉錦花）*(Note 4)*	Interest of spouse	231,825,150	39.03%
Wenye Elite Holdings *(Note 5)*	Beneficial owner	72,000,000	12.12%
	Interest in a controlled corporation	26,992,350	4.55%

Notes:

1. All interest stated are long positions.

2. The percentage represents the total number of the Shares held by each shareholder divided by the number of issued Shares of the Company of 594,000,000 as the date of this annual report.

3. Antopex Limited is wholly-owned by CMB Wing Lung (Trustee) Limited. CMB Wing Lung (Trustee) Limited is the trustee of the Fan Family Trust and Chen Family Trust. Antopex Limited is the nominee of the Fan Family Trust and Chen Family Trust and holds the entire equity interest of Modest Faith Limited and Best On Enterprises Limited on trust. Modest Faith Limited holds the entire equity interest of Fanshaozhou Holdings and Best On Enterprises Limited holds the entire equity interest of Chenli Holdings. Accordingly, Antopex Limited and CMB Wing Lung (Trustee) Limited is deemed to be interested in such number of Shares held by Fanshaozhou Holdings and Chenli Holdings and Modest Faith Limited is deemed to be interested in such number of Shares held by Fanshaozhou Holdings for the purpose of Part XV of the SFO.

4. Ms. Ye Jinhua is the spouse of Mr. Fan Shaozhou. Accordingly, Ms. Ye Jinhua is deemed to be interested in such Shares held by Mr. Fan Shaozhou for the purpose of Part XV of the SFO.

5. The entire share capital of ESOP Holdings is owned by Wenye Elite Holdings. Accordingly, Wenye Elite Holdings is deemed to be interested in such Shares held by ESOP Holdings for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, so far as is known by or otherwise notified to the Directors, none of any person (other than a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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 2.1%
- five largest suppliers in aggregate 7.6%

Purchases – subcontractor

- the largest subcontractor 21.5%
- five largest subcontractors in aggregate 60.7%

Sales

- the largest customer 3.4%
- five largest customers in aggregate 15.6%

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 during the Year 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 of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, 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).

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.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

The Group had no subsequent event after 31 December 2020 and up to the date of this report.

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 of Association 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 since the Listing Date and up to 31 December 2020. The Model Code also applies to other relevant employees of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 366 employees (31 December 2019: 429). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately RMB40.5 million (Year 2019: 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.

The Company has implemented employee recognition schemes and awards, such as the restricted share unit scheme. At the same time, the group provides social security funds and related benefits for employers and provides appropriate training.

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.

CHANGES IN THE INFORMATION ON DIRECTORS AND JOINT COMPANY SECRETARY

Changes in information on Directors and Joint company secretary during the period from 1 January 2020 and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Wan Neng's annual remuneration increased by 47.9% from 1 April 2020.

The annual remuneration for Ms. Huang Guiqing, Mr. Liu Xiaoyi and Mr. Liu Ziping increased by 10% from 1 April 2020.

Ms. Huang Jin has resigned as an executive Director, vice president and joint company secretary of the Company with effect from 30 June 2020.

Mr. Lin Yongqi has resigned as a non-executive Director of the Company with effect from 30 June 2020.

Mr. Liu Xiaoyi has resigned as a director of Zhongzhuang Xinwang Technology (Beijing) Co., Ltd.（中裝新網科技（北京）有限公司）with effect from March 2019 and resigned as an independent non-executive director of 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 are listed on the Shenzhen Stock Exchange (Stock Code: 002789) with effect from January 2020.

Mr. Peng Weizhou has been appointed as an executive Director of the Company with effect from 2 July 2020.

Save as the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high level of corporate governance. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report as set out on pages 35 to 50 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 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 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 for the Year 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 for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, who will retire at the conclusion of the 2020 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 in the past 3 years and up to the date of this annual report.

By order of the Board
Wenye Group Holdings Limited

Fan Shaozhou
Chairman

Shenzhen, PRC, 31 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2020.

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 the CG Code.

The Company has been listed on the Main Board of the Stock Exchange since the Listing Date and has complied with the principles and code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2020 (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 as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they have strictly complied with the required standards set out in the Model Code during the Period.

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. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Period upon making reasonable enquiry.

DUTIES OF THE BOARD

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

During the Period, the Board is responsible for performing the corporate governance functions set out in the 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 code of conduct and compliance manual (if any) for employees and Directors; and

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

All Directors have full and timely access to all the information of the Company and advices from the company secretary 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.

COMPOSITION OF THE BOARD

The Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Fan Shaozhou *(Chairman and Chief Executive Officer)*
Mr. Wan Neng
Mr. Peng Weizhou

Non-Executive Directors

Mr. Deng Guanghui
Mr. Chen Li

Independent Non-Executive Directors

Ms. Huang Guiqing
Mr. Liu Xiaoyi
Mr. Liu Ziping

The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management".

Save as disclosed in the biographies of the Directors set out in the section headed "Biographies of Directors and Senior Management" in this annual report, none of the Directors has any personal relationship (including business, financial, family or other material/relevant relationship) with any other Director or chief executive.

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 should not be performed by the same individual. Mr. Fan Shaozhou has been performing both the roles of chairman and chief executive officer of the Company. 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 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.

All independent non-executive Directors of the Company have confirmed in writing to the Company of their independence during the Period pursuant to Rule 3.13 of the Listing Rules. Based on the confirmations of the independent non-executive Directors, the Company has assessed their independence and considers each of them to be independent during the Period.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual 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 process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations and suggestions to the Board on the appointment, re-appointment and succession planning of Directors.

Each of Mr. Fan Shaozhou, Mr. Wan Neng, being the executive Directors of the Company, and Mr. Deng Guanghui and Mr. Chen Li, being our non-executive Directors, has entered into a service agreement with the Company for a 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. Mr. Peng Weizhou, an executive Director of the Company, has entered into a service agreement with the Company for a term of three years commencing from 2 July 2020 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of Ms. Huang Guiqing, Mr. Liu Xiaoyi and Mr. Liu Ziping, being the independent non-executive Directors of the Company, has entered 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, subject to termination in certain circumstances as stipulated in the relevant letters of appointment. None of the Directors has a contract with the Company which is not expiring or determinable 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 and on average at least once each quarter. 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 related Board meeting papers are despatched 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 the meetings are kept by the secretary of the Board with copies of such meeting minutes circulated to all Directors for their perusal and record purposes.

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.

The following table summarizes the attendance of individual Directors and committee members at each meeting during the Period:

	Number of Board meetings attended/ eligible to attend	Number of Audit Committee meetings attended/ eligible to attend	Number of Remuneration Committee meetings attended/ eligible to attend	Number of Nomination Committee meetings attended/ eligible to attend	Number of annual general meetings[4] attended/ eligible to attend
Executive Directors					
Mr. Fan Shaozhou	4/4	N/A	2/2	1/1	1/1
Mr. Wan Neng	4/4	N/A	N/A	N/A	1/1
Mr. Peng Weizhou[1]	1/1	N/A	N/A	N/A	0/0
Ms. Huang Jin[2]	2/2	N/A	N/A	N/A	1/1
Non-Executive Directors					
Mr. Deng Guanghui	4/4	N/A	N/A	N/A	1/1
Mr. Chen Li	4/4	N/A	N/A	N/A	1/1
Mr. Lin Yongqi[3]	2/2	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Huang Guiqing	3/4	2/3	2/2	1/1	1/1
Mr. Liu Xiaoyi	3/4	2/3	2/2	1/1	1/1
Mr. Liu Ziping	4/4	3/3	N/A	N/A	1/1

Notes:

1. Mr. Peng Weizhou was appointed as an executive Director on 2 July 2020.
2. Ms. Huang Jin resigned as an executive Director on 30 June 2020.
3. Mr. Lin Yongqi resigned as a non-executive Director on 30 June 2020.
4. The annual general meeting was held on 23 June 2020.

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 Date, 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 Directors are encouraged to participate in continuous professional development and their participation and training records during the year 2020 are as follows:

	Participation in Directors' training	Reading materials relating to the latest development of applicable regulatory requirements and the Listing Rules
Executive Directors		
Mr. Fan Shaozhou	✓	✓
Mr. Wan Neng	✓	✓
Mr. Peng Weizhou	✓	✓
Ms. Huang Jin	✓	✓
Non-Executive Directors		
Mr. Deng Guanghui	✓	✓
Mr. Chen Li	✓	✓
Mr. Lin Yongqi	✓	✓
Independent Non-Executive Directors		
Ms. Huang Guiqing	✓	✓
Mr. Liu Xiaoyi	✓	✓
Mr. Liu Ziping	✓	✓

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has purchased liability 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 2020.

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, who meets 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.

During the Period, the Audit Committee held three meetings. The Audit Committee has reviewed the year-end audit plan for the year 2020 and has reviewed the audited financial statements of the Group for the financial year ended 31 December 2020 with the management and the independent auditor. The Audit Committee has also reviewed the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2020. The Audit Committee is of the opinion that the preparation of the underlying financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made. In addition, the Audit Committee has also reviewed significant internal audit issues, the re-appointment of external auditors and relevant scope of work and continuing connected transactions. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the selection and appointment of the external auditors, and reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2020.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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. The written terms of reference of the Remuneration Committee are available for inspection on the websites of the Company and the Stock Exchange.

During the Period, the Remuneration Committee held two meetings to consider and recommend to the Board the remuneration packages 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 band (excluding equity-settled share expenses) of the Directors and members of senior management for the year ended 31 December 2020 categorized by bands:

Band *(Note)*	**Remuneration (RMB)**	**Number of Directors**
1	0 – 400,000	7
2	400,001 – 800,000	3

Note:

Band 1 includes 7 Directors, whereas band 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 written terms of reference of the Nomination Committee are available for inspection on the websites of the Company and the Stock Exchange.

The Company has adopted nomination policy ("**Nomination Policy**"). According to the Nomination Policy, the Nomination Committee duly considers (including but not limited to) the following criteria to assess, select and recommend candidates of directors to the Board:

1. Diversity in all its aspects, including but not limited to gender, age, experience, cultural and educational background, professional level, skill, and knowledge;

2. Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

3. Qualifications, including skills, accomplishment and experience in the relevant industries where the Company's business is involved in;

4. Independence;

5. Integrity and reliability;

6. Potential contributions that the individual(s) can bring to the Board; and

7. Commitment to enhance and maximize Shareholders' value.

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.

During the Period, the Nomination Committee held a meeting 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

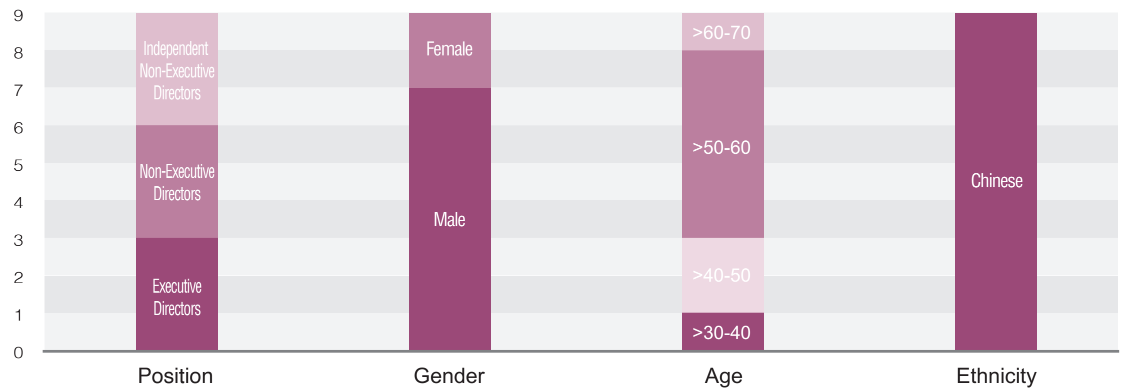
The Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 21 December 2019, which sets out the objective of achieving and maintaining a high level of diversity on the Board and the approach to achieve the said goal. The Company recognises the benefits of having a diversified 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 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 2020:



DIVIDEND POLICY

The Company adopts a dividend policy on 21 December 2019 that aims to provide shareholders of the Company with dividends 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 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 of Association.

In proposing any dividend payout, the Board shall take into account, inter alia: (i) 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 Memorandum and Articles of Association, the Company in general meetings 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 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.

COMPANY SECRETARY

On 30 June 2020, Ms. Huang Jin resigned as an executive Director, vice president and joint company secretary of the Company. Following the resignation of Ms. Huang, Ms. Mak Po Man Cherie remains as the company secretary of the Company.

Ms. Mak Po Man Cherie is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, responsible for advising the Board on corporate governance matters to ensure 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 for the year ended 31 December 2020 as required by Rule 3.29 of the Listing Rules. The primary contact person of Ms. Mak at the Company is Ms. Peng Yao, the secretary of the Board.

AUDITORS

The financial statements set out in this annual report have been audited by PricewaterhouseCoopers. The service fee payable to PricewaterhouseCoopers for the Year is RMB2.3 million.

Services provided	**Fees payable (RMB'000)**
Audit services	2,300
Non-audit services	–
Total	2,300

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 pages 51 to 120.

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 Company has designated a special department to be responsible for the internal audit function and established a sound system.

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 mitigate, 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.

During the Period, the Company has approved and reviewed the internal control system of the Group and the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group and confirmed that it is adequate and effective.

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules to ensure the confidentiality of the handling of inside information and to publish the relevant disclosure to the public as soon as practicable. For information that is difficult to maintain confidentiality, the Company timely discloses relevant information to ensure effective protection of the interests of investors and stakeholders.

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 of Association, 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

According to Article 16.4 of the Articles of Association 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. For any enquiry, investors may also write to the Company through the following contact details, in order to facilitate the communication between Shareholders and the Company:

Postal address: 20/F Block E, Bao Neng Central, No. 3008 Bao'an North Road, Tianxin Community, Sungang Subdistrict, Luohu District, Shenzhen, PRC
Telephone: 86-0755-83288118
Email address: ir@szwyzs.com.cn

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Articles of Association of the Company (the "**Memorandum and Articles**") have been amended and restated with effect from the Listing Date. Save for the aforesaid disclosed, during the Year, no change has been made to the Memorandum and Articles.

INDEPENDENT AUDITOR'S REPORT

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 57 to 120, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 RMB1,224,256,000 for the year ended 31 December 2020, representing approximately 98.1% of the Group's total revenue. Contract revenue is recognised over the contract period by reference 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 estimates and 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 obtained an understanding of management's internal control and assessment process of measuring progress towards complete satisfaction of a performance obligation to recognize revenue in respect of performance obligations satisfied over time and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; – We evaluated and validated the key controls over revenue recognition of construction contracts. Those controls included management's review of 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 revenue 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	How our audit addressed the 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 2020, the gross carrying amounts of trade and retention receivables and contract assets amounted to RMB1,129,473,000 and RMB808,145,000, respectively, with loss allowance amounted to RMB204,088,000 and RMB17,423,000, 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.	Our procedures in relation to management's impairment assessment of trade and retention receivables and contract assets included: – We obtained an understanding of management's internal control and assessment process of loss allowance for expected credit losses and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; – We 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 and challenged 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 tested the accuracy of the ageing profile of the trade and retention receivables as at 31 December 2020 to underlying financial records on a sample basis; – We evaluated 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; and – We involved our internal valuation specialist to evaluate the reasonableness of the forward-looking information used by management, verified against publicly available information and recalculated the amount of provision. 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, actions taken to eliminate threats or safeguards applied.

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, 31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2020 RMB'000**	2019 RMB'000
Revenue	*6*	**1,247,561**	1,557,914
Cost of sales	*8*	**(1,098,967)**	(1,371,001)
Gross profit		**148,594**	186,913
Other income	*7*	**14,282**	11,794
Other gains/(losses), net	*7*	**(4,364)**	(3,945)
Selling and marketing expenses	*8*	**(9,912)**	(8,352)
General and administrative expenses	*8*	**(57,016)**	(60,510)
Net impairment losses on financial assets and contract assets	*3*	**(44,312)**	(55,507)
Operating profit		**47,272**	70,393
Finance income	*10*	**1,878**	132
Finance costs	*10*	**(16,625)**	(11,185)
Finance costs, net		**(14,747)**	(11,053)
Profit before income tax		**32,525**	59,340
Income tax expense	*11*	**(11,456)**	(19,508)
Profit for the year		**21,069**	39,832
Profit/(loss) attributable to:			
Owners of the Company		**21,069**	40,066
Non-controlling interests		**–**	(234)
		21,069	39,832
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Currency translation differences		**(494)**	6
Other comprehensive (loss)/income for the year		**(494)**	6
Total comprehensive income for the year		**20,575**	39,838
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**20,575**	40,072
Non-controlling interests		**–**	(234)
		20,575	39,838
Earnings per share attributable to owners of the Company			
– Basic and diluted (RMB)	*13*	**0.04**	0.09

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**12,128**	23,041
Investment properties	*15*	**2,205**	14,619
Intangible assets	*16*	**595**	927
Right-of-use assets	*18*	**13,534**	17,067
Deferred income tax assets	*19*	**41,590**	44,572
Trade and other receivables	*20*	**39,855**	75,856
		109,907	176,082
Current assets			
Contract assets	*6(b)*	**790,722**	562,272
Trade and other receivables	*20*	**951,297**	1,030,360
Restricted cash	*21*	**43,895**	7,640
Cash and cash equivalents	*22*	**56,856**	46,684
		1,842,770	1,646,956
Total assets		**1,952,677**	1,823,038
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**51**	–
Share premium		**130,425**	–
Other reserves	*24*	**178,634**	174,387
Retained earnings		**316,694**	300,366
Total equity		**625,804**	474,753

	Notes	2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	*26*	**6,000**	13,200
Lease liabilities	*18*	**9,454**	33,868
		15,454	47,068
Current liabilities			
Trade and other payables	*25*	**1,034,774**	1,028,207
Contract liabilities	*6(b)*	**39,620**	42,538
Lease liabilities	*18*	**6,710**	6,492
Amounts due to related parties	*30(d)*	**721**	848
Bank borrowings	*26*	**155,311**	169,983
Other borrowings	*27*	**24,384**	4,979
Current income tax liabilities		**49,899**	48,170
		1,311,419	1,301,217
Total liabilities		**1,326,873**	1,348,285
Total equity and liabilities		**1,952,677**	1,823,038

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

The consolidated financial statements on pages 57 to 120 were approved by the Board of Directors on 31 March 2021 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)*	Share premium RMB'000	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 2019	–	–	170,895	270,395	441,290	(423)	440,867
Profit/(loss) for the year	–	–	–	40,066	40,066	(234)	39,832
Currency translation differences	–	–	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	–	–	–	–	–	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
Balance at 1 January 2020	–	–	174,387	300,366	474,753	–	474,753
Profit for the year	–	–	–	21,069	21,069	–	21,069
Currency translation differences	–	–	(494)	–	(494)	–	(494)
Total comprehensive (loss)/income for the year	–	–	(494)	21,069	20,575	–	20,575
Transactions with owners in their capacity as owners:							
Capitalisation issue	38	(38)	–	–	–	–	–
Shares issued pursuant to the initial public offering (the "IPO")	13	142,770	–	–	142,783	–	142,783
Transaction costs attributable to the IPO	–	(12,307)	–	–	(12,307)	–	(12,307)
Transfer to statutory reserves	–	–	4,741	(4,741)	–	–	–
Total transactions with owners in their capacity as owners	51	130,425	4,741	(4,741)	130,476	–	130,476
Balance at 31 December 2020	51	130,425	178,634	316,694	625,804	–	625,804

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash used in operations	*28(a)*	**(93,581)**	(66,965)
Income tax paid		**(6,745)**	(18,866)
Net cash used in operating activities		**(100,326)**	(85,831)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,716)**	(473)
Purchase of intangible assets		**(132)**	(327)
Finance income received		**1,878**	132
Repayment from related parties		**–**	4,215
Disposal of a subsidiary, net of cash disposed		**–**	284
Net cash (used in)/generated from investing activities		**(970)**	3,831
Cash flows from financing activities			
Contribution from shareholders		**–**	37
Deemed distribution to shareholders	*24*	**–**	(6,646)
Proceeds from the issue of shares by the IPO	*23(ii)*	**142,783**	–
Proceeds from bank and other borrowings		**212,917**	190,158
Repayments of bank and other borrowings		**(215,384)**	(121,729)
Payment for principal of lease liabilities		**(2,623)**	(5,572)
Payment for interest of lease liabilities		**(1,049)**	(2,935)
Finance cost paid		**(12,859)**	(8,250)
Payment for listing expenses		**(12,307)**	(3,591)
Net cash generated from financing activities		**111,478**	41,472
Net increase/(decrease) in cash and cash equivalents		**10,182**	(40,528)
Cash and cash equivalents at beginning of the year		**46,684**	87,206
Exchange difference on cash and cash equivalents		**(10)**	6
Cash and cash equivalents at end of the year	*22*	**56,856**	46,684

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

1 GENERAL INFORMATION

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").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

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

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Standards	Subject of amendment
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

(b) New standards and interpretations not yet adopted

The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-related Rent Concessions	1 June 2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018 – 2020	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.2.2 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 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 gains/(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 gains/(losses), net" in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Investment properties

Investment properties 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 statement 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(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
- Restricted cash
- Cash and cash equivalents

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, restricted cash, cash and cash equivalents 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

(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 statement 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.

2.10 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 statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements where the Group currently 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 Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

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.

2.13 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 statement of cash flows, cash and cash equivalents includes cash on 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 is excluded from cash and cash equivalents included in the consolidated statement 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 statement 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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(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 statement 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 statement 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 office premises 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 statement of financial position.

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 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).

2.25 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 of the Group mainly operate in the PRC with most of the transactions were 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 2020, 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 (2019: Same).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(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 2020, 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 RMB303,000 (2019: RMB644,000) lower/higher.

(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, bills receivable, deposits and other receivables. 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.

Bills receivable mainly represent bank acceptance bills. The maturity period of these bills is usually from 6 months to 1 year. These bills are mainly issued by state-owned enterprises, reputable financial institutions 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.

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 related 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 31 December 2020 and the corresponding historical credit losses experienced within this period. The loss allowance also incorporates 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 and retention receivables and contract assets as at 31 December 2020 and 2019 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 2020							
Weighted average expected loss rate	**1.7%**	**7.0%**	**8.5%**	**13.0%**	**24.8%**	**56.0%**	
Gross carrying amount (RMB'000)	**227,571**	**222,426**	**105,955**	**146,232**	**155,385**	**162,200**	**1,019,769**
Loss allowance provision (RMB'000)	**3,935**	**15,593**	**8,985**	**19,048**	**38,597**	**58,837**	**144,995**
Individually impaired receivables (RMB'000)	**–**	**–**	**–**	**–**	**–**	**57,046**	**57,046**
Total loss allowance provision (RMB'000)	**3,935**	**15,593**	**8,985**	**19,048**	**38,597**	**115,883**	**202,041**

	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

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 2020		
Expected loss rate	**2.2%**	**1.9%**
Gross carrying amount (RMB'000)	**808,145**	**109,704**
Loss allowance provision (RMB'000)	**17,423**	**2,047**
Individually impaired receivables (RMB'000)	**–**	**–**
Total loss allowance provision (RMB'000)	**17,423**	**2,047**
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

Included in the loss allowance provision are individually impaired trade receivables with an aggregate balance of approximately RMB57,046,000 as at 31 December 2020 (2019: RMB68,970,000). The Group has chased for settlements from these customers for quite some time 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 2020 and 2019 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Contract assets	Retention receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	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
Provision for impairment	44,559	10,995	682	56,236
Reversal of impairment	(11,924)	–	–	(11,924)
As at 31 December 2020	202,041	17,423	2,047	221,511

(ii) Deposits and other receivables

As at 31 December 2020 and 2019, 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 2020, except for the following set out below.

The loss allowance provision for deposits was as follows:

	2020	2019
	RMB'000	RMB'000
Loss allowance provision for deposits	**1,400**	1,400

As at 31 December 2020 and 2019, the maximum exposure to credit risk of these financial assets were as follows:

	2020	2019
	RMB'000	RMB'000
Deposits and other receivables	**56,188**	25,425

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 2020 and 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 2020					
Trade and other payables	**885,471**	**–**	**–**	**–**	**885,471**
Amounts due to related parties	**721**	**–**	**–**	**–**	**721**
Bank borrowings	**161,685**	**6,311**	**–**	**–**	**167,996**
Other borrowings	**26,819**	**–**	**–**	**–**	**26,819**
Lease liabilities	**7,583**	**7,352**	**2,645**	**–**	**17,580**
	1,082,279	**13,663**	**2,645**	**–**	**1,098,587**
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

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 statement 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 2020 and 2019 were as follows:

	2020	2019
	RMB'000	RMB'000
Total bank borrowings *(Note 26)*	**161,311**	183,183
Total other borrowings *(Note 27)*	**24,384**	4,979
Lease liabilities *(Note 18(b))*	**16,164**	40,360
	201,859	228,522
Less:		
Cash and cash equivalents *(Note 22)*	**(56,856)**	(46,684)
Net debt	**145,003**	181,838
Total equity	**625,804**	474,753
Gearing ratio	**23.2%**	38.3%

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 2020 (2019: 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 considers it is probable that future taxable profits will be available against the temporary differences can be utilised. The Group's management reassesses 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 2020 (2019: Same).

As at 31 December 2020, all of the non-current assets were located in the PRC (2019: 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:

	2020	2019
	RMB'000	RMB'000
Customer A	**N/A**	13%

During the year ended 31 December 2020, there was no customer that individually accounted for more than 10% of the Group's revenue (2019: All other customers individually accounted for less than 10% of the Group's revenue).

6 REVENUE

(a) Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	RMB'000
Revenue from construction services	**1,224,256**	1,533,523
Design service income	**23,305**	24,391
	1,247,561	1,557,914

	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	**1,247,561**	1,557,914

6 REVENUE *(continued)*

(b) Contract assets and liabilities

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

	2020	2019
	RMB'000	RMB'000
Contract assets related to		
– Construction services	**807,056**	564,463
– Design services	**1,089**	4,237
	808,145	568,700
Less: provision for impairment of contract assets	**(17,423)**	(6,428)
	790,722	562,272

	2020	2019
	RMB'000	RMB'000
Contract liabilities related to		
– Construction services	**28,850**	29,315
– Design services	**10,770**	13,223
	39,620	42,538

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 projects, contract assets of RMB177,244,000 (2019: RMB302,947,000) were transferred to trade receivables during the year ended 31 December 2020.

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.

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Construction services	**18,974**	20,895
– Design services	**7,274**	6,411
	26,248	27,306

(ii) Unsatisfied contracts related to construction and design services

	2020	2019
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to construction and design services that are partially or fully unsatisfied		
– Construction services *(Note)*	**824,198**	508,459
– Design services	**15,246**	18,101
	839,444	526,560

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	**713,838**	432,772
– Design services	**15,246**	18,101
	729,084	450,873
1 year to 2 years		
– Construction services	**110,360**	75,687
	839,444	526,560

7 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2020 RMB'000	2019 RMB'000
Other income		
Government grants *(Note (i))*	**1,161**	2,890
Rental income from investment properties *(Note 15)*	**2,471**	6,470
Compensation from lawsuit	**630**	2,434
Compensation from termination of a lease contract *(Note 18 (a)(i))*	**10,000**	–
Others	**20**	–
	14,282	11,794
Other gains/(losses), net		
Penalty of lawsuit	**(14,165)**	(4,710)
Loss on disposal of property, plant and equipment	**(10,093)**	–
Gain on termination of a lease contract *(Note 18 (a)(i))*	**20,020**	–
Gain on disposal of a subsidiary	**–**	529
Others	**(126)**	236
	(4,364)	(3,945)

Note:

(i) 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

	2020 RMB'000	2019 RMB'000
Raw materials and consumables used	**627,328**	796,036
Remuneration paid or payable to work forces engaged by the Group	**405,412**	493,865
Design service contract cost	**13,188**	18,185
Employee benefit expenses *(Note 9)*	**40,505**	52,365
Business and other taxes	**8,314**	9,017
Depreciation of property, plant and equipment *(Note 14)*	**3,536**	3,520
Depreciation of investment properties *(Note 15)*	**2,544**	2,544
Amortisation of intangible assets *(Note 16)*	**464**	403
Depreciation of right-of-use assets *(Note 18)*	**7,824**	3,423
Short-term leases expenses	**437**	141
Marketing and advertising expenses	**405**	785
Legal and professional fees	**6,078**	7,854
Auditor's remuneration		
– Audit services	**2,300**	1,800
Travel and entertainment expenses	**2,569**	4,536
Listing expenses	**12,277**	12,686
Other expenses	**32,714**	32,703
Total cost of sales, selling and marketing expenses and general and administrative expenses	**1,165,895**	1,439,863

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	**35,812**	46,432
Housing funds, medical insurances and other social insurances	**3,650**	4,959
Other welfare and allowances	**1,043**	974
	40,505	52,365

(a) Directors' emoluments

The emoluments paid or payable to each director of 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 directors' other services in connection with the management of the affairs of the business RMB'000	Total RMB'000
For the year ended 31 December 2020							
Executive directors							
Mr. Fan Shaozhou	–	645	–	–	41	–	686
Mr. Wan Neng	–	520	–	–	28	–	548
Ms. Huang Jin *(Note i)*	–	181	–	–	7	–	188
Mr. Peng Weizhou *(Note ii)*	–	281	–	–	26	–	307
Non-executive directors						–	
Mr. Lin Yongqi	–	414	–	–	39	–	453
Mr. Deng Guanghui	–	325	–	–	28	–	353
Mr. Chen Li	–	90	–	–	14	–	104
Independent non-executive directors							
Ms. Huang Guiqing	–	70	–	–	–	–	70
Mr. Liu Xiaoyi	–	70	–	–	–	–	70
Mr. Liu Ziping	–	70	–	–	–	–	70
	–	2,666	–	–	183	–	2,849

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

(a) Directors' emoluments *(continued)*

Name of directors	Fees	Salaries	Discretionary bonuses	Allowance and benefit in kinds	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of directors' other services in connection with the management of the affairs of the business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019							
Executive directors							
Mr. Fan Shaozhou	–	653	20	–	45	–	718
Mr. Wan Neng *(Note (iii))*	–	312	20	–	20	–	352
Ms. Huang Jin *(Note (iii))*	–	362	20	–	20	–	402
Non-executive directors							
Mr. Lin Yongqi *(Note (iii))*	–	646	–	–	45	–	691
Mr. Deng Guanghui *(Note (iii))*	–	330	20	–	20	–	370
Mr. Chen Li *(Note (iii))*	–	216	–	–	43	–	259
Independent non-executive directors							
Ms. Huang Guiqing *(Note (iv))*	–	–	–	–	–	–	–
Mr. Liu Xiaoyi *(Note (iv))*	–	–	–	–	–	–	–
Mr. Liu Ziping *(Note (iv))*	–	–	–	–	–	–	–
	–	2,519	80	–	193	–	2,792

Notes:

(i) Resigned on 30 June 2020

(ii) Appointed on 02 July 2020

(iii) Appointed on 13 March 2019

(iv) Appointed on 21 December 2019

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 Group and no directors waived any emolument during the year ended 31 December 2020 (2019: Nil).

No director fees were paid to these directors in their capacity as directors of the Company or the Group and no emoluments were paid by the Company or the Group to the directors as an inducement to join the Company or the Group, or as compensation for loss of office during the year ended 31 December 2020 (2019: Nil).

(b) Directors' retirement and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended 31 December 2020 (2019: Nil).

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

During the year ended 31 December 2020, no consideration was provided to or receivable by third parties for making available directors' services (2019: 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 (2019: Nil).

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

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 (2019: Nil).

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

(f) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group include three directors (2019: two), whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining two individuals (2019: three) are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, wages and bonuses	**1,058**	1,472
Housing funds, medical insurances and other social insurances	**27**	48
	1,085	1,520

The emoluments of above individuals are within the following bands:

	2020	2019
Emoluments band		
HK$nil – HK$1,000,000 (equivalent to RMBnil – RMB862,069)	**2**	3

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 (2019: Nil).

10 FINANCE COSTS, NET

	2020 **RMB'000**	2019 RMB'000
Finance income:		
– Interest income	**1,878**	132
Finance costs:		
– Interest expense on bank and other borrowings	**(12,859)**	(8,250)
– Interest expense on lease liabilities	**(3,766)**	(2,935)
	(16,625)	(11,185)
Finance costs, net	**(14,747)**	(11,053)

11 INCOME TAX EXPENSE

	2020	2019
	RMB'000	RMB'000
Current income tax	**8,474**	33,385
Deferred income tax *(Note 19)*	**2,982**	(13,877)
	11,456	19,508

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% (2019: 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:

	2020	2019
	RMB'000	RMB'000
Profit before income tax	**32,525**	59,340
Tax calculated at domestic tax rates applicable to profits in the respective country	**9,098**	16,524
Tax effects of:		
Income not subject to tax	**(5,005)**	(298)
Expenses not deductible for tax purpose	**7,031**	3,050
Tax losses for which no deferred tax asset was recognised	**332**	232
	11,456	19,508

The weighted average applicable tax rate was 28% for the year ended 31 December 2020 (2019: 28%).

12 DIVIDENDS

No dividends has been paid or declared by the Company for the year ended 31 December 2020 (2019: 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 by the capitalisation of 444,510,000 shares (Note 23(ii)) 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 2020 (2019: Same).

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**21,069**	40,066
Weighted average number of share in issue or deemed to be in issue (number of shares)	**588,699,905**	445,488,946
Basic earnings per share (RMB)	**0.04**	0.09

(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 2020 (2019: Same).

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2019					
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	–	–	(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
Year ended 31 December 2020					
Opening net book amount	8,344	13,402	578	717	23,041
Additions	–	2,364	11	341	2,716
Disposals	–	(10,084)	(9)	–	(10,093)
Depreciation *(Note 8)*	(180)	(2,745)	(243)	(368)	(3,536)
Closing net book amount	8,164	2,937	337	690	12,128
At 31 December 2020					
Cost	9,032	3,378	4,708	3,088	20,206
Accumulated depreciation	(868)	(441)	(4,371)	(2,398)	(8,078)
Net book amount	8,164	2,937	337	690	12,128

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2020, the net book value of land and buildings which have not obtained the housing title certificates amounted to RMB3,264,000 (2019: RMB3,048,000).

As at 31 December 2020, land and buildings with net book value amounted to RMB4,900,000 (2019: RMB3,048,000), were pledged as collateral for the Group's bank borrowings (Note 26).

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 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
Year ended 31 December 2020			
Opening net book amount	2,282	12,337	14,619
Depreciation *(Note 8)*	(77)	(2,467)	(2,544)
Termination of a lease contract *(Note 18(a)(i))*	–	(9,870)	(9,870)
Closing net book amount	2,205	–	2,205
At 31 December 2020			
Cost	3,675	–	3,675
Accumulated depreciation	(1,470)	–	(1,470)
Net book amount	2,205	–	2,205

15 INVESTMENT PROPERTIES *(continued)*

Rental income recognised during the year ended 31 December 2020 and 2019 are as below:

	2020	2019
	RMB'000	RMB'000
Rental income from investment properties	**540**	524
Rental income from subleasing	**1,931**	5,946
	2,471	6,470

As at 31 December 2020, the net book value of investment properties which have not obtained the housing title certificates amounted to RMB1,186,000 (2019: RMB1,227,000).

As at 31 December 2020, the fair values of the Group's owned investment properties were RMB6,031,000 as determined by an independent professional valuer (2019: RMB6,087,000).

As at 31 December 2020, the Group's owned investment properties with net book value amounted to RMB2,205,000 (2019:RMB2,282,000) were pledged as collateral for the Group's bank borrowings (Note 26).

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

The Group's owned investment properties were located in the PRC.

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 2019			
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 *(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
Year ended 31 December 2020			
Opening net book amount	824	103	927
Additions	132	–	132
Amortisation *(Note 8)*	(387)	(77)	(464)
Closing net book amount	569	26	595
At 31 December 2020			
Cost	2,479	385	2,864
Accumulated amortisation	(1,910)	(359)	(2,269)
Net book amount	569	26	595

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

17 SUBSIDIARIES

Particulars of all subsidiaries:

Company name	Place of incorporation/ establishment and kind of legal entity	Registered/issued and paid-up capital	Attributable equity interest of the Group 31 December 2019	Attributable equity interest of the Group 31 December 2020	Principal activities
Directly owned					
Wenye International Holdings Limited	British Virgin Islands	Issued and fully paid US$50,000	100%	**100%**	Investment holding
Indirectly owned					
Wenye International (HK) Holdings Limited	Hong Kong	Issued and fully paid HK$1	100%	**100%**	Investment holding
Sosang (HK) Holdings Limited	Hong Kong	Issued and fully paid HK$1	100%	**100%**	Investment holding
Shenzhen Wenye Construction Group Co., Ltd. *(Note)* 深圳市文業建築工程集團有限責任公司	The PRC limited liability company	Registered RMB107,000,000, Paid up RMB89,980,000	100%	**100%**	Investment holding
Wenye Construction and Decoration (Shenzhen) Co. Ltd. *(Note)* 文業建築裝飾（深圳）有限責任公司	The PRC limited liability company	Registered RMB107,000,000, Paid up RMB96,500,000	100%	**100%**	Investment holding
Shenzhen Wenye Industrial Co., Ltd. *(Note)* 深圳文業實業有限公司	The PRC limited liability company	Registered RMB104,000,000, Paid up RMB93,500,000	100%	**100%**	Investment holding
Shenzhen Wenye Decoration Design Engineering Co., Ltd. *(Note)* 深圳文業裝飾設計工程有限公司	The PRC limited liability company	Registered RMB238,000,000, Paid up RMB227,500,000	100%	**100%**	Provision of interior and exterior building decoration and design services
Shenzhen Futian District Wenye Decoration Design Engineering Co., Ltd. *(Note)* 深圳市福田區文業裝飾設計工程有限責任公司	The PRC limited liability company	Registered RMB1,000,000, Paid up RMBnil	N/A	**100%**	Inactive

Note:

The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

18 LEASES

(a) Right-of-use assets

	Properties RMB'000
Year ended 31 December 2019	
Opening net book amount	18,419
Additions	3,097
Depreciation *(Note 8)*	(3,423)
Disposal of a subsidiary	(1,026)
Closing net book amount	17,067
At 31 December 2019	
Cost	29,066
Accumulated depreciation	(11,999)
Net book amount	17,067
Year ended 31 December 2020	
Opening net book amount	17,067
Additions	15,447
Termination of a lease contract *(Note (i))*	(11,156)
Depreciation *(Note 8)*	(7,824)
Closing net book amount	13,534
At 31 December 2020	
Cost	33,357
Accumulated depreciation	(19,823)
Net book amount	13,534

Notes:

(i) On 1 January 2013, the Group entered into a lease agreement with an individual third party ("the landlord") for the leasing of office premises in the PRC with a lease term of 12 years and certain of the office premises were sub-leased by the Group.

Pursuant to the termination of lease agreement entered between the Group and the landlord on 31 December 2020, the lease was early terminated on the same date and the landlord agreed to waive the rental payments for the period from 1 November 2019 to 31 December 2020 and pay a compensation of RMB10,000,000 to the Group and recognised as "other income" in the consolidated statement of comprehensive income for the year ended 31 December 2020.

A gain of RMB20,020,000 was recognised as "other gains/(losses), net" in the consolidated statement of comprehensive income for the year ended 31 December 2020 upon the derecognition of right-of-use assets of RMB11,156,000, lease liabilities of RMB41,046,000 and investment properties of RMB9,870,000 as at 31 December 2020.

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

18 LEASES *(continued)*

(b) Lease liabilities

	2020	2019
	RMB'000	RMB'000
Minimum lease payments due		
– Within 1 year	**7,583**	9,052
– Between 1 and 2 years	**7,352**	9,378
– Between 2 and 5 years	**2,645**	29,364
– Later than 5 years	**–**	171
	17,580	47,965
Less: future finance charges	**(1,416)**	(7,605)
Present value of lease liabilities	**16,164**	40,360

	2020	2019
	RMB'000	RMB'000
Non-current	**9,454**	33,868
Current	**6,710**	6,492
	16,164	40,360

The Group leases office premises 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.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. 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:

	2020	2019
	RMB'000	RMB'000
Deferred income tax assets	**41,590**	44,572

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 assets and contract assets
	RMB'000
At 1 January 2019	30,695
Credited to the consolidated statements of comprehensive income	13,877
At 31 December 2019	44,572
At 1 January 2020	44,572
Debited to the consolidated statements of comprehensive income	(2,982)
At 31 December 2020	41,590

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 RMB591,000 (2019: RMB102,000) in respect of losses amounting to RMB2,365,000 at 31 December 2020 (2019: RMB409,000) that can be carried forward against future taxable income for 5 years.

Deferred income tax liabilities RMB36,271,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries at 31 December 2020 (2019: RMB32,923,000). Such amounts are considered by the directors to be permanently reinvested.

20 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**1,019,769**	1,122,243
Less: provision for impairment of trade receivables	**(202,041)**	(169,406)
Trade receivables, net *(Note (a))*	**817,728**	952,837
Retention receivables	**109,704**	110,523
Less: provision for impairment of retention receivables	**(2,047)**	(1,365)
Retention receivables, net *(Note (c))*	**107,657**	109,158
Deposits *(Note (d))*	**25,385**	26,092
Less: provision for impairment of deposits	**(1,400)**	(1,400)
Deposits, net *(Note (d))*	**23,985**	24,692
Bills receivable, net *(Note (b))*	**3,340**	4,772
Prepayments	**9,579**	12,317
Advances to staff	**6,166**	1,707
Compensation receivable from termination of a lease contract *(Note 18 (a)(i))*	**10,000**	–
Loan receivable *(Note (e))*	**10,843**	–
Other receivables	**1,854**	733
	991,152	1,106,216
Less non-current portion:		
Deposits	**(2,981)**	(2,154)
Retention receivables	**(36,874)**	(73,702)
	(39,855)	(75,856)
Current portion	**951,297**	1,030,360

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 2020 and 2019, the ageing analysis of the trade receivables based on the invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Unbilled revenue *(Note (i))*	**785,251**	847,314
Within 30 days	**25,485**	48,897
31 days to 6 months	**44,181**	53,506
6 months to 1 year	**45,587**	56,671
1 year to 2 years	**25,606**	49,760
2 years to 3 years	**30,251**	33,110
Over 3 years	**63,408**	32,985
	1,019,769	1,122,243

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 2020, trade receivables were pledged as collateral for the Group's certain bank borrowings (2019: Same) (Note 26).

(b) As at 31 December 2020 and 2019, the ageing analysis of the bills receivables based on the invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Within 30 days	**1,207**	1,810
31 days to 6 months	**1,883**	2,597
6 months to 1 year	**200**	315
1 year to 2 years	**50**	–
	3,340	4,722

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 for 1 to 2 years. As at 31 December 2020 and 2019, the ageing analysis of the retention receivables based on the retention period expiry date is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**72,830**	36,821
1 year to 2 years	**36,874**	73,702
	109,704	110,523

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.

(e) On 24 February 2020, the Group granted a loan of HK$13,000,000 (equivalent to approximately RMB11,717,000) to an independent third party. The loan bears an interest rate of 1.5% per month and is repayable in one year from the drawdown date on 25 February 2020. Up to the date of this annual report, the Group has received the loan and interest receivables in aggregate of HK$14,012,000 (equivalent to approximately RMB12,050,000).

21 RESTRICTED CASH

As at 31 December 2020, restricted cash comprises (i) deposits held at banks as collateral for the issuance of the bills payable, (ii) deposits held at banks under litigation claims, and (iii) guaranteed deposit of RMB25,249,000 for bank borrowings (Note 26). (2019: Deposits held at banks as collateral for the issuance of the bills payable and deposits held at banks under litigation claims)

As at 31 December 2020 and 2019, the carrying amounts of restricted cash approximate their fair values and denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
RMB	**18,646**	7,640
HK$	**25,249**	–
	43,895	7,640

The Group's restricted cash balances 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.

22 CASH AND CASH EQUIVALENTS

	2020 **RMB'000**	2019 RMB'000
Cash at banks	**56,856**	46,684
Maximum exposure to credit risk	**56,828**	46,684

As at 31 December 2020 and 2019, the carrying amount of cash and cash equivalents are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
RMB	**54,250**	46,609
HK$	**2,606**	75
	56,856	46,684

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:			
Balance at 31 December 2019		990,000	–
Capitalisation issue of shares	*(ii)*	444,510,000	38
Shares issued pursuant to the the IPO	*(ii)*	148,500,000	13
Balance at 31 December 2020		594,000,000	51

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 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 RMB142,783,000) 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 2019	149,179	21,716	–	170,895
Contribution from a shareholder	37	–	–	37
Deemed distribution to shareholders *(Note (ii))*	(6,646)	–	–	(6,646)
Deregistration of a subsidiary	–	(30)	–	(30)
Transfer to statutory reserves	–	10,125	–	10,125
Currency translation differences	–	–	6	6
Balance at 31 December 2019	142,570	31,811	6	174,387
Balance at 1 January 2020	142,570	31,811	6	174,387
Transfer to statutory reserves	–	4,741	–	4,741
Currency translation differences	–	–	(494)	(494)
Balance at 31 December 2020	142,570	36,552	(488)	178,634

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 4 January 2019, an equity transfer agreement was entered into between Shenzhen Wenye Construction Group Co., Ltd. ("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 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**844,552**	874,196
Bills payables	**12,738**	4,738
	857,290	878,934
Accruals and other payables		
– Accrued staff benefits	**10,524**	8,973
– Other taxes payable	**138,779**	114,869
– Accruals for listing expenses	**3,106**	6,454
– Other payables and accruals	**25,075**	18,977
	177,484	149,273
	1,034,774	1,028,207

As at 31 December 2020 and 2019, the carrying amounts of trade and other payables approximate their fair values and denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	**1,031,524**	1,026,534
HK$	**3,250**	1,579
United States dollars ("US$")	**–**	94
	1,034,774	1,028,207

As at 31 December 2020 and 2019, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Within 30 days	**665,965**	730,890
31 days to 6 months	**100,137**	59,231
6 months to 1 year	**21,757**	30,459
1 year to 2 years	**51,046**	42,747
2 year to 3 years	**12,897**	13,979
Over 3 years	**5,488**	1,628
	857,290	878,934

26 BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Non-current		
Bank borrowings	**6,000**	13,200
Current		
Bank borrowings	**155,311**	169,983
Total bank borrowings	**161,311**	183,183

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

	2020 RMB'000	2019 RMB'000
Within 1 year	**155,311**	169,983
Between 1 and 2 years	**6,000**	–
Between 2 and 5 years	**–**	13,200
	161,311	183,183

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

	2020	2019
Bank borrowings	**5.5%**	6.2%

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

26 BANK BORROWINGS *(continued)*

As at 31 December 2020, the Group had aggregate banking facilities of RMB183,918,000 (2019: RMB216,743,000). The Group's banking facilities are subject to annual review and are secured and guaranteed by:

(i) The Group's land and buildings of RMB4,900,000 as at 31 December 2020 (2019: RMB5,008,000) (Note 14);

(ii) The Group's owned investment properties of RMB2,205,000 as at 31 December 2020 (2019: RMB2,282,000) (Note 15);

(iii) The Group's trade receivables (Note 20);

(iv) The Group's restricted cash of RMB25,249,000 (Note 21);

(v) Certain properties owned by certain shareholders and related parties of the Group (Note 30(e)); and

(vi) Limited personal guarantee executed by the shareholders, Mr. Fan Shaozhou, Mr. Chen Li, Mr. Deng Guanghui, Mr. Wan Neng, Mr. Lin Yongqi, Mr. Peng Weizhou and related parties, Ms. Ye Jinhua and Ms. Li Guoying of the Group (2019: 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 and Ms. Li Guoying of the Group) (Note: 30(e)).

27 OTHER BORROWINGS

	2020 **RMB'000**	2019 RMB'000
Other borrowings	**24,384**	4,979

Notes:

(i) As at 31 December 2020, 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% (2019: 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 amount of such other borrowing was RMB854,000 as at 31 December 2020 (2019: RMB4,979,000).

(ii) On 27 August 2020 and 17 September 2020, the Group entered into two loan agreements with a financing company which granted loan facilities of RMB10,000,000 and RMB15,000,000, respectively. The loans bear interest at a rate of 15.4% and 19.2% per annum, respectively. The loan facilities are unsecured and repayable in six months from the drawdown date. As at 31 December 2020, the carrying amounts of such loans were RMB10,000,000 and RMB13,530,000, respectively (2019: Nil).

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

28 CASH FLOWS INFORMATION

(a) Cash used in operations:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**32,525**	59,340
Adjustments for:		
Depreciation of property, plant and equipment	**3,536**	3,520
Depreciation of investment properties	**2,544**	2,544
Amortisation of intangible assets	**464**	403
Depreciation of right-of-use assets	**7,824**	3,423
Finance income	**(1,878)**	(132)
Finance costs	**16,625**	11,185
Net impairment losses on financial assets and contract assets	**44,312**	55,507
Loss on disposal of property, plant and equipment	**10,093**	–
Gain on disposal of a subsidiary	**–**	(529)
Gain on early termination of a lease contract	**(20,020)**	–
Operating profit before changes in working capital	**96,025**	135,261
Changes in working capital:		
Contract assets	**(239,445)**	(143,949)
Trade and other receivables	**81,263**	(292,661)
Restricted cash	**(36,255)**	(6,563)
Trade and other payables	**7,876**	233,501
Contract liabilities	**(2,918)**	6,598
Advances (to)/from related parties	**(127)**	848
Cash used in operations	**(93,581)**	(66,965)

28 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 2020 and 2019:

	Borrowings and interest paid	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	188,162	40,360	228,522
Non cash – interest cost	12,859	3,766	16,625
Non cash – additions of lease liabilities	–	16,756	16,756
Non cash – termination of a lease contract	–	(41,046)	(41,046)
Cash flow – financing activities	(15,326)	(3,672)	(18,998)
At 31 December 2020	185,695	16,164	201,859
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

29 COMMITMENTS

(a) Operating lease commitments – Group as lessor

The Group leases various office premise under non-cancellable operating lease. The leases terms are between 2 to 4 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:

	2020	2019
	RMB'000	RMB'000
No later than 1 year	**669**	7,627
Later than 1 year and no later than 5 years	**952**	1,640
	1,621	9,267

(b) Capital commitments

As at 31 December 2020, the Group and the Company did not have any significant capital commitments (2019: Nil).

30 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 2020:

(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
Mr. Peng Weizhou	Shareholder
Ms. Huang Jin	Shareholder
Mr. Lin Yongqi	Shareholder
Mr. Chen Li	Shareholder
Mr. Deng Guanghui	Shareholder
Mr. Han Kailong	Shareholder
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
Wenye Jiangtun (Shenzhen) Information Technology Co., Ltd. （文業江豚（深圳）信息技術有限公司） ("Wenye Jiangtun"); deregistered on 13 April 2020	Controlled by Mr. Fan Shaozhou, the controlling shareholder

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

Save as disclosed elsewhere in this report, during the year ended 31 December 2020, the following transactions were carried out with related parties:

	2020 RMB'000	2019 RMB'000
Rental income from subleasing to Wenye Jiangtuan	14	54

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

30 RELATED PARTY TRANSACTIONS *(continued)*

(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 to related parties

	2020 **RMB'000**	2019 RMB'000
Non-trade payables to		
Mr. Chen Li	**586**	431
Mr. Han Kailong	**135**	417
	721	848

As at 31 December 2020 and 2019, non-trade payables balances 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.

(e) Guaranteed by shareholders and related parties

Certain banking facilities available to the Group were secured by 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, Mr. Peng Weizhou and related parties, who are Ms. Ye Jinhua, Ms. Li Guoying as at 31 December 2020 (2019: Same) as disclosed in Note 26.

Certain banking facilities available to the Group were also secured by properties owned by shareholders who are Mr. Fan Shaozhou, Mr. Wan Neng, Mr. Peng Weizhou and related parties who are Ms. Ye Jinhua and Ms. Li Guoying as at 31 December 2020 (2019: Same) as disclosed in Note 26.

31 FINANCIAL INSTRUMENTS BY CATEGORIES

	2020 RMB'000	2019 RMB'000
Financial assets carried at amortised cost		
– Trade and other receivables	**981,573**	1,092,192
– Restricted cash	**43,895**	7,640
– Cash and cash equivalents	**56,856**	46,684
	1,082,324	1,146,516

	2020 RMB'000	2019 RMB'000
Financial liabilities carried at amortised cost		
– Trade and other payables	**885,471**	904,365
– Amounts due to related parties	**721**	848
– Bank borrowings	**161,311**	183,183
– Other borrowings	**24,384**	4,979
– Lease liabilities	**16,164**	40,360
	1,088,051	1,133,735

32 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 2019, 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.

33 FINANCIAL GUARANTEE

During the year ended 31 December 2019, the Group provided corporate guarantees to two independent third parties on the banking facilities of RMB10,000,000 respectively. The financial guarantees provided by the Group were released on 7 August 2019. As at 31 December 2020, no borrowing was drawn down by these parties.

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2020 RMB'000**	2019 RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**16,212**	16,212
Current assets			
Prepayments and other receivables		**10,843**	6,003
Restricted cash		**25,249**	–
Cash and cash equivalents		**2,395**	–
Amounts due from subsidiaries		**88,503**	–
		126,990	6,003
Total assets		**143,202**	22,215
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23*	**51**	–
Share premium		**130,425**	–
Other reserve	*(a)*	**15,727**	16,211
Accumulated losses		**(30,297)**	(18,955)
Total equity/(deficit)		**115,906**	(2,744)
LIABILITIES			
Current liabilities			
Other payables		**–**	6,454
Amounts due to subsidiaries		**27,296**	18,505
Total liabilities		**27,296**	24,959
Total deficit and liabilities		**143,202**	22,215

(a) 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.