



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

2025

INTERIM REPORT



CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Other information	14
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Interim Financial Statements	23



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Shaozhou (范少周)

(resigned with effect from 7 April 2025)

Mr. Kong Guojing (孔國競)

(Chairman)

Ms. Fan Shuying (范舒颖)

(Co-Chairwoman and chief executive officer)

(appointed on 7 April 2025)

Mr. Chen Zhouyu (陳宙宇) (Co-Chairman)

(appointed on 30 May 2025)

Mr. Peng Jiwei (彭及偉)

(appointed on 7 April 2025)

Non-Executive Directors

Mr. Chen Li (陳立)

(resigned with effect from 30 May 2025)

Mr. Shen Peng (譚鵬)

(resigned with effect from 7 April 2025)

Mr. Li Hongxing (黎紅星)

(resigned on 24 July 2025)

Mr. Mak Ho Fai (麥浩輝)

Ms. Jia Yuanyuan (賈園園)

(appointed on 24 July 2025)

Independent Non-Executive Directors

Mr. Huang Wei (黃偉)

Mr. Ma Kin Ling (馬健凌)

Ms. Ye Jinyu (葉金玉)

BOARD COMMITTEES

Audit Committee

Mr. Ma Kin Ling (馬健凌)

(Chairman)

Mr. Huang Wei (黃偉)

Ms. Ye Jinyu (葉金玉)

Remuneration Committee

Mr. Huang Wei (黃偉)

(Chairman)

Mr. Fan Shaozhou (范少周)

(resigned on 7 April 2025)

Mr. Ma Kin Ling (馬健凌)

Ms. Fan Shuying (范舒颖)

(appointed on 7 April 2025)

Nomination Committee

Mr. Fan Shaozhou (范少周)

(resigned with effect from 7 April 2025)

Ms. Fan Shuying (范舒颖) (Chairwoman)

(appointed on 7 April 2025)

Mr. Huang Wei (黃偉)

Mr. Ma Kin Ling (馬健凌)

LEGAL ADVISER AS TO HONG KONG LAW

C&T Legal LLP

10/F & 22/F, Shum Tower,

268 Des Voeux Road Central,

Sheung Wan, Hong Kong

AUDITOR

Beijing Xinghua Caplegend CPA Limited

1/F, GR8 Inno Tech Centre,

No. 46 Tsun Yip Street,

Kwun Tong, Hong Kong

REGISTERED OFFICE

VISTRA (CAYMAN) LIMITED

P.O. Box 31119,

Grand Pavilion,

Hibiscus Way,

802 West Bay Road,

Grand Cayman,

KY1-1205,

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

4th Floor, Caiwuwei Development Building,

No. 3083, Baoan South Road,

Guiyuan Street, Luohu District,

Shenzhen

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F, Shum Tower,

268 Des Voeux Road Central,

Sheung Wan, Hong Kong

COMPANY SECRETARY

Mr. Law Man Hei Eugene (羅文僖)

CORPORATE INFORMATION *(continued)*

AUTHORISED REPRESENTATIVES

Ms. Fan Shuying (范舒穎)

Mr. Law Man Hei Eugene (羅文僖)

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

China Construction Bank

Shenzhen Branch, Zhenhua sub-branch

1/F, Design Tower

No. 8 Zhenhua Road

Futian District, Shenzhen, PRC

Bank of Hangzhou

Shenzhen Branch

Room 1701, 17/F, Block B

CNOOC Building

No. 3168 Houhaibin Road

Nanshan District, Shenzhen, PRC

COMPANY'S WEBSITE

www.szwyzs.com.cn

STOCK CODE

1802

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a building decoration services provider based in Shenzhen City, Guangdong Province, the PRC. With approximately 30 years of operating history, the Group possesses a range of the highest level of qualifications and licences in the building decoration industry in the PRC. The Group's projects cover a wide range of buildings and properties, including public infrastructure, commercial buildings and residential buildings.

IMPLEMENTATION OF THE RESTRUCTURING PLAN

The Company commenced the voluntary winding up of a former subsidiary (the **"Winding Up"**), Sosang (HK) Holdings Limited (**"Sosang"**), holding interest in the debt burdened subsidiary Shenzhen Wenye Decoration Design Engineering Co., Ltd* (深圳文業裝飾設計工程有限公司) (**"Wenye Decoration"**). Such move was to segregate Wenye Decoration from the Group, being part of the restructuring plan (the **"Restructuring Plan"**) to address the going-concern disclaimer opinion of the auditor and mitigate negative impacts on the Group's operations and financing ability, as anticipated upon resumption of trading as announced by the Company on 2 January 2024 if the debt restructuring negotiations with creditors do not progress to the Company's satisfaction.

On 12 June 2025, as part of the winding up of Sosang during which the liquidator is required to settle the assets and liabilities, the liquidator entered into a sale and purchase agreement with Very Big Win Limited (大贏家有限公司) as purchaser to dispose the companies holding interest in Wenye Decoration for a cash consideration of HK\$1,300,000. At the same time, the Company transferred the related business, operations and core personnel of Wenye Decoration to another wholly-owned subsidiary of the Company with the required license for the building decoration and design business, Shenzhen Wenye Intelligent Construction Technology Co., Ltd.* (深圳文業智能建設科技有限公司) (**"Wenye Intelligent"**).

Prior to the disposal, the Company's debts were mainly owed by Wenye Decoration and thereafter the Company only faces liabilities of approximately RMB41.68 million arising from the debts of Wenye Decoration for which the Company guaranteed, being loans to Wenye Decoration from Shenzhen Yueshang Loan Co., Limited and China Construction Bank. On a proforma basis, the Group's net liability position of RMB930.4 million had substantially improved following the disposal and deconsolidation of the liabilities of Wenye Decoration from the Group to RMB49.6 million as of 31 December 2024, assuming the deconsolidation of Wenye Decoration had taken place on 31 December 2024.

The Company's building decoration and design business in the PRC is by nature closely tied to the financial troubled real estate market, which together with COVID-19 has severely affected the Company's business. The Company's customers experienced defaults in payments whilst the Company faced credit crunch from financial institutions. As a result, Wenye Decoration was unable to settle payments when due and faced hundreds of lawsuits from creditors and led to bank accounts of the Group being frozen by the PRC court. This significantly disrupted operations and undermined confidence of customers, suppliers, investors and lenders on the Group.

The Restructuring Plan and the disposal address the burden brought about by Wenye Decoration and segregate its encumbrance from the Group. Wenye Intelligent with the transferred business, operations and core personnel of Wenye Decoration and equipped with the required license, is unaffected by litigation and bank account freezes and is able to operate smoothly.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW

The Group's revenue decreased from approximately RMB13.5 million for 1H2024 by approximately RMB9.3 million or approximately 69%, to approximately RMB4.2 million for 1H2025.

During 1H2025, the Group's overall performance was pressured primarily due to (i) weak macroeconomic conditions and prolonged property market downturn which the Group's decoration business is closely tied to; and (ii) Wenye Decoration's significant liabilities and numerous creditor lawsuits which undermined confidence in the Group and affected operations.

After the restructuring and disposal, the Group's financial position improved substantially from a net liability position of approximately RMB930.4 million to approximately RMB70.7 million as at 30 June 2025, significantly optimizing its capital structure. The confidence of customers and suppliers had in the Group was restored following segregation of the litigation and debts of Wenye Decoration from the Group.

The Group had thereafter successfully secured 17 contracts with an aggregate value of approximately RMB492.4 million (exclusive of VAT), of which 8 are expected to be completed in 2025, 7 in 2026 and the remaining 2 in 2027. As at the date of this report, 5 contracts have completed and work for another 7 contracts had commenced. The remaining 5 contracts are to commence in the last quarter of 2025.

The Group recorded revenue of approximately RMB10 million and RMB18 million in July 2025 and August 2025 respectively and recorded net monthly profits of approximately RMB0.5 million in August 2025, indicating a robust business recovery following segregation of the encumbrance of Wenye Decoration from the Group.

To support the execution of new projects, the Group has expanded its workforce from 26 employees at the end of June 2025 to currently 40 employees, with plans to further increase headcount to over 60 by the end of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

A summary of the key terms of the 17 secured contracts of the Company is set out below.

		Commencement Date/Expected Commencement Date	Completion Date/Expected Completion Date	Project Sum (VAT included) (RMB)	Project Sum (VAT excluded) (RMB)
1	Crowne Plaza Saipan Landmark Resort Hotel	2025-04-18	2026-04-18	USD20,250,000 (equivalent to approximately RMB145,800,000)	USD20,250,000 (equivalent to approximately RMB145,800,000)
2	Taiyuan Binhe Shijia Project, Section VI Interior Finishing	2025-04-03	2025-12-30	36,885,882	33,840,259
3	Hong'an Golden Era KTV Decoration Project, Hubei	2025-05-10	completed	1,988,239	1,824,073
4	Tongliao Vienna International Hotel Interior Finishing, Inner Mongolia	2025-06-03	completed	6,817,630	6,619,058
5	Dongguan Lichi Haiyue Hotel Smart Energy Storage Cabinet Installation Project	2025-07-10	completed	1,600,000	1,553,398
6	Jiaozuo Xilaizi Hotel Smart New Energy System Installation Project	2025-07-18	completed	1,000,000	970,874
7	Yuzanhua Hotel Decoration Project	2025-10-28	2026-10-28	61,790,000	56,688,073
8	Yuzanhua Hotel Decoration Project (Design)	2025-07-02	completed	2,100,000	1,926,606
9	Yilvyanguang Express Hotel Renovation	2025-07-06	2025-11-03	4,833,352	4,434,268
10	Xinxiang July Sunshine Hotel Renovation	2025-07-18	2025-11-15	4,313,066	3,956,942
11	Xingning Sports Complex Athlete Apartment Decoration Project	2025-12-01	2026-09-27	30,600,000	28,073,394
12	Cultural & Sports Center, Sports Complex	2025-12-01	2026-07-09	29,880,000	27,412,844
13	Residential Units, Sports Complex	2025-09-02	2027-01-08	81,144,000	74,444,037
14	Landscaping & Outdoor Facilities, Sports Complex	2025-11-01	2026-03-01	21,180,000	19,431,193
15	Commercial & Supporting Facilities, Sports Complex	2025-11-01	2026-03-01	15,559,500	14,274,771
16	Suibao Yipinyuan Phase I, Tower C Finishing	2025-08-20	2026-01-20	29,526,975	27,088,967
17	Beijing Xishan Elderly Apartment Renovation Decoration Project	2025-09-19	2027-01-03	48,000,000	44,036,697
				523,018,644.72	492,375,453.70

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL RESOURCES AND FUND RAISING OF THE COMPANY

Shortly after the segregation of Wenye Decoration from the Group which allayed the concerns of potential lenders on the debt position of the Group, the Company managed to obtain and draw down two loans from independent third parties in the total amount of RMB30 million as working capital of the Group.

Further, subject to the approval of the Stock Exchange, the Company has been considering to conduct a rights issue fund raising exercise, and has secured an offer from an independent third party and underwriter for the fully-underwritten 4-for-1 rights issue of the Company's shares at HK\$0.045 per rights share to raise approximately HK\$150 million in gross proceeds. The funds are intended to be applied as to approximately HK\$80 to 90 million to repay Company's outstanding debts, and as to approximately HK\$60 to 70 million as general working capital. If such potential rights issue materializes, the Group is expected to restore from a net liability position of approximately RMB70 million to a net asset position of approximately RMB70 million upon completion.

As disclosed in the Company's announcements dated 15 July 2025, 24 July 2025 and 24 September 2025 (collectively referred as the "**Announcements**"), the Company received a letter from the Listing Division of the Stock Exchange dated 15 July 2025 notifying the Company of its decision that the Company has failed to comply with Rule 13.24 of the Listing Rules and that trading in the Company's shares will be suspended under Rule 6.01(3) of the Listing Rules (the "**LD Decision**"). The Company submitted a written request to the Stock Exchange on 24 July 2025 for the LD Decision to be referred to the Listing Committee for review (the "**LC Review**").

A hearing for the LC Review was held on 2 September 2025. The Company received a letter dated 23 September 2025 from the Listing Committee notifying the Company that the Listing Committee has considered the Company's case and decided that the Company had failed to maintain a sufficient level of operations and assets of sufficient value to support its operations as required under Rule 13.24 to warrant the continued listing of its shares. The Listing Committee therefore decided to uphold the LD Decision to suspend trading in the Company's shares under Rule 6.01(3) (the "**LC Decision**").

Under Chapter 2B of the Listing Rules, the Company has the right to have the LC Decision referred to the Listing Review Committee for review. Any request for review must be served on the Secretary of the Listing Review Committee within seven business days from the date of the LC Decision (i.e. on or before 3 October 2025). Trading in the Company's shares will be suspended on 6 October 2025 after the expiry of seven business days from the date of the LC Decision, unless the Company applies for a review of the LC Decision.

The Company is in the process of reviewing the LC Decision, and is discussing the same internally and with its professional advisers, and will consider whether to lodge a request for the LC Decision to be referred to the Listing Review Committee for review.

Given the Stock Exchange's concern on the Company's compliance with Rule 13.24 of the Listing Rules, the Stock Exchange is minded not to grant listing approval for any issue of new securities by the Company unless and until such concern has been satisfactorily addressed. Accordingly, the potential rights issue is subject to, among others, the approval from the Stock Exchange as well as the Company's application to refer the LC Decision to the Listing Review Committee for review and outcome of such review, which are uncertain as at the date of this interim report. The Company believes that should the rights issue materialize, it will significantly strengthen the Group's capital base and strengthen its ability to secure future contracts, whilst enhancing the confidence of customer, suppliers and investors and therefore is in the best interests of the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

OUTLOOK AND STRATEGY

Driven by policy measures, the PRC property market is expected to gradually stabilize and recuperate. The PRC government has implemented different supportive measures for the real estate sector, such as abolishing various restrictive home purchase policies and allow market forces to determine the supply of real estate to deter high borrowing levels among real estate developers. These initiatives have helped to stabilize the PRC real estate market, enabling market participants (including the Company) to revitalize operations, and now finally move beyond the severe impact of COVID-19 and the financial fallout of the real estate market in recent years, as evidenced by the Company's robust business recovery. Together with contracts on hand and the development of overseas business in Saipan being the first step, the management of the Company maintains cautiously optimistic for the second half of 2025 and for 2026.

The Company, learning from past experience with larger projects such as government contracts with longer completion timeline and required substantial capital with higher risk of delayed payment, currently focuses on subcontracting projects which offer shorter cycles and eliminate performance bond and payment guarantee requirements to reduce upfront cash outlays. Additionally, these projects feature faster payment cycles, ensuring timely capital replenishment and less bad debt. This approach significantly eases financial pressure, maintains smooth cash flow, and provides strong support for stable operations. Leveraging years of industry expertise and a solid reputation, the Company fosters long-term partnerships with developers, commercial clients, and engineering firms, securing projects through direct engagements.

The business model of the Company's building decoration and design business is asset-light by nature and has remained consistent since listing. The Company now operates a subcontracting model whereby when projects are secured, these subcontractors supply both skilled workers and construction materials, enabling the Company to significantly reduce procurement costs for raw materials and equipment. This collaborative model eliminates labour expenses during idle periods while enhancing operational flexibility. By outsourcing workforce and material provisioning, the Company minimizes inventory carrying costs and optimizes labour expenditures, ultimately driving stronger profitability.

The Company's personnel are primarily responsible for project management. The project department staff primarily handle administrative and design tasks for projects, with their main duties include coordinating on-site construction teams and project clients. The Company will continue optimizing operational efficiency by maintaining its third-party outsourcing model for project execution in the PRC and overseas while retaining full project management control. This strategic approach delivers multiple cost advantages and streamlined organizational structure decreases fixed overheads including office expenses. Together, these measures strengthen the Company's financial position and create a platform for sustainable growth and market expansion.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

Revenue

The Group principally derives its revenue from provision of building decoration works and design services in the PRC. Revenue generated by service type was set out below:

	Six months ended 30 June			
	2025		2024	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Revenue from construction contracts	4.2	100	13.5	100
Design service income	—	—	—	—
Total	4.2	100	13.5	100

The Group's revenue decreased by approximately RMB9.3 million to approximately RMB4.2 million for 1H2025 from approximately RMB13.5 million for 1H2024 mainly due to the (i) macroeconomic conditions and prolonged recovery of the real estate market in the PRC which the Group's construction decoration business is closely tied to; and (ii) the debt and litigation of Wenye Decoration and the bank accounts freeze brought upon the Group which made it difficult to secure new contracts and operate the building decoration and design business.

Cost of sales

The cost of sales of the Group decreased to approximately RMB3.7 million for 1H2025 from approximately RMB12.7 million for 1H2024, representing a decrease of approximately 70.9% which is in line with the decrease of revenue.

Gross profit and gross profit margin

The gross profit of the Group decreased to approximately RMB0.5 million for 1H2025 from approximately RMB0.8 million for 1H2024, representing a decrease of approximately 37.5%.

Our gross profit margin increased from 5.9% for 1H2024 to 12% for 1H2025 mainly due to the nature of new contracts undertaken being interior decoration. Such projects generally carry lower subcontracting and material cost, resulting in increased gross profit margin.

Other income

The Group recorded other income of approximately RMB951,651,000 for 1H2025 which mainly resulting from the disposal of Wenye Decoration and related companies on 12 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Other gains/(losses), net

The Group recorded net other gains of approximately RMB0.1 million for 1H2025 (Other losses for 1H2024: RMB5.7million).

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.

There is no selling and marketing expenses for 1H2025 (1H2024: RMB0).

General and administrative expenses

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

The general and administrative expenses decreased to approximately RMB6.7 million for 1H2025 from approximately RMB9.8 million for 1H2024, representing an decrease of approximately 31.6%. The decrease was mainly attributed to the decrease of employee expenses.

Recognition of financial liability at fair value through profit or loss

The amount of RMB59,534,000 recognised as financial liability at fair value through profit or loss represented the fair value of the financial guarantee provided by the Company to certain bank and other borrowing by a then subsidiary of the Company as at 30 June 2025. The subsidiary was disposed on 12 June 2025.

Net impairment losses on financial and contract assets

There were no net impairment losses on financial and contract assets incurred in 1H2025.

Profit/(Loss) for the period

The Group turned from a loss of approximately RMB21.7 million for 1H2024 to a profit of approximately RMB885.8 million for 1H2025, mainly due to the other income recorded of approximately RMB951.7 million arising from the disposal of Wenye Decoration and related companies.

Financial position, liquidity and financial resources

Trade and other receivables

The trade and other receivables decreased from approximately RMB114.3 million as at 31 December 2024 to approximately RMB3.8 million as at 30 June 2025, representing a decrease of 96.7%. The trade receivables are the amount due from customers.

Trade and other payables

The trade and other payables decreased from approximately RMB874.9 million as at 31 December 2024 to approximately RMB17.9 million as at 30 June 2025. The trade payables are the amount due to suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Bank Borrowings

As at 30 June 2025, the Group had no bank borrowings (31 December 2024: approximately RMB28.8 million).

Working capital management

The Group is committed to maintaining sound financial policy. The Group intends to improve its operational efficiency in order to improve the healthiness of the working capital primarily through capital contribution from operating activities, fund raising from the capital market from time to time and interest-bearing bank borrowings.

Liquidity ratios

As at 30 June 2025, the Group had cash and cash equivalents of approximately RMB10.7 million (31 December 2024: approximately RMB0.5 million). The Group's current ratio and gearing ratio are as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Current ratio	21.0%	17.5%
Gearing ratio	0.2%	(14.1)%

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

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

Significant investments, material acquisitions and disposals

On 12 June 2025, as part of the winding up of Sosang, the liquidator entered into a sale and purchase agreement with Very Big Win Limited (大贏家有限公司) as purchaser to dispose the companies holding interest in Wenye Decoration for a cash consideration of HK\$1,300,000.

Capital commitments

As at 30 June 2025, the Group had no capital commitment.

Contingent Liabilities

As at 30 June 2025, the Group and the Company did not have any significant contingent liabilities (31 December 2024: Nil).

Dividends

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Foreign currency exposure

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

As at 30 June 2025, 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.

CHANGE IN NET PROCEEDS FROM SUBSCRIPTION OF SHARES

Reference is made to the announcements of the Company dated 7 June 2024 and 17 April 2025 and the circular of the Company dated 24 September 2024 in relation to placing of new shares under specific mandate raising net proceeds of approximately HK\$12,300,000. As disclosed in the circular, the Company estimated that:

- (i) approximately HK\$7,643,000 to partially settle its overdue loans and interest accrued with China Construction Bank in the remaining amount of RMB28,774,000, being principal and penalty interest of 8.25% per annum. The Company formulated a plan to settle the loans which was subject to endorsement of the arbitration tribunal. The Company expected to utilize such proceeds by the end of the first quarter of 2025 and intended to conduct further fund-raising exercise for the repayment of the remaining outstanding loans and interest with China Construction Bank in the amount of RMB21,131,000;
- (ii) approximately HK\$3,427,000 to set off against the interest free loan in the principal amount of RMB17,096,000 (equivalent to approximately HK\$18,805,600) (the “**Loan**”) owed by the Company to Executive Director Mr. Kong Guojing which was due by 30 September 2024 and was expected to be utilized immediately upon completion of the subscription;
- (iii) approximately HK\$615,000 to settle professional fees incurred by the Company which was expected to be utilized by the end of October 2024; and
- (iv) approximately HK\$615,000 as general working capital of the Group which was expected to be utilized by the end of October 2024.

Approximately HK\$3,427,000 was used to partially set off against the Loan immediately upon completion on 17 April 2025. Out of the remaining net proceeds of approximately HK\$8,873,000, approximately HK\$3,900,000 was applied to settling professional fees incurred by the Company and approximately HK\$4,900,000 towards working capital of the Company. The proceeds from the subscription had been fully utilised as of the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Reasons for the Change in Use of Proceeds

As disclosed in the fulfilment of resumption guidance announcement dated 2 January 2024, it was intended that the Winding Up be implemented if negotiation with creditors to restructure the Company's debts does not progress to the Company's satisfaction.

Whilst the Company formulated a plan to settle the overdue loans with China Construction Bank, the plan was subject to endorsement of the arbitration tribunal which was expected to take up to 2 months for the tribunal to endorse. In view of the then unsatisfactory debt negotiation with creditors, the Winding Up was anticipated and the implementation thereof will improve the financial position of the Group relatively more significantly. On a proforma basis, the Group's net liability position of RMB930.4 million substantially improved following disposal and deconsolidation of the liabilities of Wenye Decoration from the Group to RMB49.6 million as of 31 December 2024, assuming the deconsolidation had taken place on 31 December 2024.

Services from professional parties were required for the Winding Up. Settlement of overdue fees owed to them would facilitate implementation of the Winding Up. These professional parties have been long-term advisors of the Company and have a good understanding of the circumstances the Company faced. It was anticipated that following segregation of the encumbrance of Wenye Decoration from the Group, with the quality of the decoration services offered and reputation of the Group in the market, confidence of customers, suppliers, investors and lenders would revive and the Company's business would recover strongly. The use of net proceeds was therefore adjusted with prioritizing repayment of overdue debts owed to professional parties and towards working capital of the Company to address the need of the Company in the interest of the Company and its shareholders as a whole.

Important events after the end of the period

As disclosed in the Announcements, the Company received a letter from the Listing Division of the Stock Exchange dated 15 July 2025 notifying the Company of the LD Decision. The Company submitted a written request to the Stock Exchange on 24 July 2025 for the LD Decision to be referred to the Listing Committee for the LC Review.

A hearing for the LC Review was held on 2 September 2025. The Company received a letter dated 23 September 2025 from the Listing Committee notifying the Company that the Listing Committee has considered the Company's case and decided that the Company had failed to maintain a sufficient level of operations and assets of sufficient value to support its operations as required under Rule 13.24 to warrant the continued listing of its shares. The Listing Committee therefore decided to uphold the LD Decision to suspend trading in the Company's shares under Rule 6.01(3).

Under Chapter 2B of the Listing Rules, the Company has the right to have the LC Decision referred to the Listing Review Committee for review. Any request for review must be served on the Secretary of the Listing Review Committee within seven business days from the date of the LC Decision (i.e. on or before 3 October 2025). Trading in the Company's shares will be suspended on 6 October 2025 after the expiry of seven business days from the date of the LC Decision, unless the Company applies for a review of the LC Decision.

The Company is in the process of reviewing the LC Decision, and is discussing the same internally and with its professional advisers, and will consider whether to lodge a request for the LC Decision to be referred to the Listing Review Committee for review.

OTHER INFORMATION

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 30 June 2025, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the “SFO”), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “Model Code”), were as follows:

Name of Directors	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of issued share capital (Note 2)
Mr. Kong Guojing	Beneficial owner	55,500,000	6.67%
Mr. Mak Ho Fai	Beneficial owner	64,344,727	7.74%

Notes:

1. All interest stated are long positions.
2. The percentage is calculated based on the total number of issued shares of 831,600,000 as at the date of this interim report.

OTHER INFORMATION *(continued)*

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

As at 30 June 2025, 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 Division 2 and 3 of Part XV of the SFO and recorded in the register referred to 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)
Mr. Kong Guojing	Beneficial owner	55,500,000	6.67%
Mr. Mak Ho Fai	Beneficial owner	64,344,727	7.74%
HK Monkey Asset Management Limited (" HK Monkey ") (Note 3)	Beneficial owner	58,790,836	7.07%
Wenye Elite Holdings Limited (" Wenye Elite ") (Note 4)	Beneficial owner	72,000,000	8.66%
	Interest in a controlled corporation (Note 5)	26,992,350	3.25%

Notes:

- All interests stated are long positions.
- The percentage is calculated based on the total number of issued shares of the Company of 831,600,000 as the date of this interim report.
- HK Monkey is ultimate beneficially owned by Lin Ziqi (林紫琪) (34%), Chen Dechun (陳德純) (33%) and Yang Mingwei (楊明偉) (33%).
- Wenye Elite is the trustee of the restricted share unit scheme (the "**RSU Scheme**") adopted by the Company on 13 March 2019 in recognition of the contributions of and to provide incentive to the Directors, senior management and employees of the Company as well as any person who, in the sole opinion of the Board of the Company, has contributed or will contribute to the Group. Wenye Elite is beneficially owned by Peng Weizhou (彭偉周) (18.75%), Qiu Zhong Jian (丘仲建) (12.5%), Yu Sheng Kai (余聲凱) (12.5%), Zhuang Xian Ni (莊縣你) (6.25%), Fan Zhen Jian (范振堅) (25%), Zheng Jun Xian (鄭俊賢) (12.5%) and Qiu Hui (丘惠) (12.5%).
- The entire share capital of Wenye Innovator Holdings Limited ("**Wenye Innovator**") is wholly owned by Wenye Elite Holdings. Accordingly, Wenye Elite is deemed to be interested in such shares held by Wenye Innovator for the purpose of Part XV of the SFO. Wenye Innovator is the settlor of the RSU Scheme.

Save as disclosed above, as at 30 June 2025, 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.

OTHER INFORMATION *(continued)*

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2025.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' biographical details since the date of the annual report of the Company for the period ended 30 June 2025 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out as follows:

Mr. Fan Shaozhou resigned as Chairman, Executive Director, Chief Executive Officer, member of the Remuneration Committee, chairman of the Nomination Committee as well as an Authorised Representative, with effect from 7 April 2025. Mr. Shen Peng resigned as non-executive Director on the same day.

Ms. Fan Shuying was appointed as Co-Chairwoman, Executive Director, Chief Executive Officer, member of Remuneration Committee, Chairwoman of Nomination Committee and Authorised Representative, effective from 7 April 2025. Mr. Peng Jihui was appointed Executive Director on the same day.

Mr. Kong Guojing was redesignated from Co-Chairman to Chairman with effect from 7 April 2025.

Mr. Chen Li resigned as Non-Executive Director with effect from 30 May 2025 and Mr. Chen Zhouyu was appointed as Co-Chairman and Executive Director on the same day.

Mr. Li Hongxing resigned as Non-Executive Director with effect from 24 July 2025 and Ms. Jia Yuanyuan was appointed Non-Executive Director on the same day.

COMPLIANCE WITH THE CODE OR CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high quality corporate governance. The corporate governance principles of the Company are to promote effective internal management measures, to maintain high quality ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company's corporate governance practice is based on the principles and code provisions as set out in Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules.

During the six months ended 30 June 2025, the Company has fully complied with all the applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules. The Company will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code. The roles of chairman and chief executive officer of the Company are not separated and Ms. Fan Shuying currently holds both positions following the resignation of Mr. Fan Shaozhou from the positions on 8 April 2025. The Board believes that vesting the roles of co-chairwoman and chief executive officer in Ms. Fan Shuying 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.

OTHER INFORMATION *(continued)*

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities in the Company. Having made specific enquiry to all Directors of the Company, all Directors have confirmed that they have strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2025.

CHANGES IN DIRECTORS’ OR CHIEF EXECUTIVES’ INFORMATION

The Directors and the chief executive officer confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

As at the date of this report, the audit committee of the Board (the “**Audit Committee**”) comprises all the independent non-executive Directors, namely Mr. Ma Kin Ling (chairman), Mr. Huang Wei and Ms. Ye Jinyu.

The Audit Committee has reviewed together with the management and the independent auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the consolidated financial statements. The Audit Committee has also reviewed the interim results of the Group for the six months ended 30 June 2025.

PUBLICATION OF INTERIM REPORT

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (www.szwyzs.com.cn) in due course.

By order of the Board
Wenye Group Holdings Limited
KONG Guojing
Chairman and Executive Director

Shenzhen, PRC, 30 September 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	8	4,176	13,524
Cost of sales		(3,674)	(12,727)
Gross profit		502	797
Other income	9	951,651	1
Other gains/(losses), net		92	(5,726)
Selling and marketing expenses		—	—
General and administrative expenses		(6,698)	(9,771)
Recognition of financial liability at fair value through profit or loss		(59,534)	—
Finance costs, net	10	(209)	(6,993)
PROFIT/(LOSS) BEFORE TAX		885,804	(21,692)
Income tax expense	11	—	—
Profit/(loss) for the period		885,804	(21,692)
Other comprehensive income/(loss)			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		—	3
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		—	3
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		885,804	(21,689)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic and diluted (RMB)	13	1.32	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		—	7,434
Right-of-use assets	14	1,622	—
Investment properties		—	—
Intangible assets		—	—
Trade and other receivables	15	—	—
		1,622	7,434
CURRENT ASSETS			
Trade and other receivables	15	3,769	114,290
Contract assets	16	3,809	63,268
Restricted cash		—	16,908
Bank and cash balances	17	10,699	507
Amounts due from related parties		629	679
		18,906	195,652
CURRENT LIABILITIES			
Trade and other payables	18	17,851	874,929
Contract liabilities	16	—	62,999
Bank borrowings	19	—	28,774
Other borrowings	20	10,000	84,049
Lease liabilities		540	—
Amount due to related parties	24	2,190	25,642
Current income tax liabilities		—	38,747
Financial liability at fair value through PL		59,534	—
		90,115	1,115,140
NET CURRENT LIABILITIES		(71,209)	(919,488)
TOTAL ASSETS LESS CURRENT LIABILITIES		(69,587)	(912,054)
NON-CURRENT LIABILITIES			
Other borrowings		—	18,388
Lease liabilities		(1,108)	—
		(1,108)	18,388
NET LIABILITIES		(70,695)	(930,442)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
CAPITAL AND RESERVES		
Share capital	73	51
Reserves	(70,768)	(932,148)
Equity attributable to owners of the Company	(70,695)	(932,097)
Non-controlling interests	—	1,655
TOTAL EQUITY	(70,695)	(930,442)

The consolidated financial statements on pages 18 to 56 were approved and authorised for issue by the board of directors on 29 August 2025 and are signed on its behalf by:

Approved by:

Ms. Fan Shuying
Director

Mr. Kong Guojing
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling		Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Translation reserve	Accumulated losses	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	51	130,425	142,570	36,552	(2)	(1,146,311)	(836,715)	1,716	(834,999)
Loss for the period	—	—	—	—	—	(21,685)	(21,685)	(7)	(21,692)
Other comprehensive loss for the period	—	—	—	—	3	—	3	—	3
Total comprehensive loss for the period	—	—	—	—	3	(21,685)	(21,682)	(7)	(21,689)
At 30 June 2024	51	130,425	142,570	36,552	1	(1,167,996)	(858,397)	1,709	(856,688)
At 1 January 2025	51	130,425	142,570	36,552	(5)	(1,241,690)	(932,097)	1,655	(930,442)
Shares issued upon placement	22	12,117	—	—	—	—	12,139	—	12,139
Transfer of reserves	—	—	—	(36,552)	—	—	(36,552)	(1,655)	(38,207)
Loss for the period	—	—	—	—	—	885,804	885,804	—	885,804
Other comprehensive loss for the period	—	—	—	—	11	—	11	—	11
Total comprehensive loss for the period	22	12,117	—	(36,552)	11	885,804	861,402	(1,655)	859,747
At 30 June 2025	73	142,542	142,570	—	6	(355,886)	(70,695)	—	(70,695)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	As at 30 June 2025 RMB'000 (Unaudited)	As at 30 June 2024 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	812,111	(21,692)
Adjustments for:		
Depreciation of property, plant and equipment	124	91
Finance cost	214	7,012
Bank interest income	(5)	(19)
Depreciation of right-of-use assets	93	—
Loss on disposal of property, plant and equipment	179	—
Recognition of financial liability at fair value through profit or loss	59,534	—
Gain on disposal of a subsidiary	(951,651)	—
Operating cash flows before movements in working capital	(79,401)	(14,608)
Change in trade and other receivables	48,078	(26,167)
Change in contract assets	5,226	14,276
Change in restricted cash	534	5,401
Change in trade and other payables	23,234	21,382
Change in contract liabilities	—	963
Change in amounts due to related parties	(4,101)	—
Cash generated from operating activities	(6,430)	1,247
Income taxes paid	—	(12)
Net cash flows generated from operating activities	(6,430)	1,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income received	5	19
Proceeds from disposal of a subsidiary	778	—
Net cash flows generated from investing activities	783	19
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowing	10,000	2,123
Repayment of bank and other borrowings	—	—
Payment for principal of lease liabilities	(6,535)	(923)
Payment for interest of lease liabilities	(19)	(233)
Advance from related parties	—	5,330
Proceeds from the issue of shares by the IPO	12,139	—
Finance cost paid	(31)	(6,779)
Net cash flows used in financing activities	15,554	(482)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,907	772
Cash and cash equivalents at beginning of period	952	177
Effect of foreign exchange rate changes	(160)	3
Cash and cash equivalents at end of period	10,699	952
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,699	952

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Wenye Group Holdings Limited (“**the Company**”) was incorporated in the Cayman Islands on 13 November 2018 as an exempted company with limited liability under Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1- 1205, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in provision of interior and exterior building decoration and design services (the “**Business**”) in the People’s Republic of China (the “**PRC**”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 January 2020 (the “**Listing**”).

The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

2. GOING CONCERN BASIS

As at 30 June 2025, the Group had net current liabilities and net liabilities of approximately RMB71,209,000 and RMB70,695,000 respectively. The Group’s total financial liabilities at fair value through Profit or Loss (“**FVPL**”) amounted to approximately RMB59,534,000 as at 30 June 2025 while its cash and cash equivalents amounted to approximately RMB10,699,000. Financial liability at FVPL of approximately RMB28,774,000 and RMB12,910,000 are repayable on demand or within one year.

The Group is involved in 2 litigations due to its inability to repay its outstanding bank and other borrowings. The expected penalty and interest arising from abovementioned litigations amounted to approximately RMB17,849,000.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group’s ability to continue as a going concern.

The Directors have undertaken a number of plans and measures to improve the Group’s liquidity and financial position, including: (i) the Group has been actively seeking and communicating with new customers on the projects of interior and exterior building decoration and design; (ii) the Group has been actively negotiating with the bank and other lenders on the extension of overdue bank borrowing and overdue other borrowings; and (iii) the Group has been actively seeking potential new fundings through various channels, including but not limited to new financing in terms of issuance of new shares of the Company and from potential investors.

The directors of the Company, taking into account the above plans and measures, are in the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current half year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investment properties, which are carried at their fair values/fair values less costs to sell.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 5 to the consolidated financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealized profits are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated 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 Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognized in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- 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;
- Income and expenses are translated at average exchange rates (unless this average exchange rate 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 exchange rates on the transaction dates); and
- All resulting exchange differences are recognized in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognized in the translation reserve. When a foreign operation is sold, such exchange differences are recognized in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized 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 recognized in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are 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 residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life. The estimated useful lives are as follows:

Owned properties	48 years
Leased properties	Lease term of 9 years

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives are as follows:

Land and buildings	3 to 12 years
--------------------	---------------

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee (the "sublease lessor") to a third party, and the lease (the "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:

- (i) 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.
- (ii) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

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. 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

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Financial assets

Financial assets are recognized and derecognized on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognized at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets of the Group are classified under the following category:

- Financial assets at amortized cost

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

(i) Financial assets at amortized cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortized cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognizes loss allowances for expected credit losses, on financial assets at amortized cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“**lifetime expected credit losses**”) for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognized in profit or loss as an impairment gain or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

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.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost 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 reporting period.

Financial guarantee contracts liabilities

Financial guarantee contract liabilities are initially recognised at fair value and subsequently measured at the higher of:

- the loss allowance; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of the guarantee contracts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

If a performance obligation is satisfied over time, revenue is recognized by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the product or service.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Other revenue

Interest income is recognized using the effective interest method. Rental income is recognized on a straight-line basis over the lease term.

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.

Employee benefits

(i) 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.

(ii) 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.

(iii) 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 as incurred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(iv) 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

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.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognized in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

4. MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except deferred tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

5. KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognized in the consolidated financial statements apart from those involving estimations, which are dealt with below.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the certain measures to improve the Group's liquidity and financial position. Details are explained in Note 2 to financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed 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.

(b) 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 the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

5. KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(c) 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.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, 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 minimize potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

(c) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Credit risk *(continued)*

(i) Trade receivables, 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 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 receivables, 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 30 June 2024 and 2023 and the corresponding historical credit losses experienced within this period. The loss allowance also incorporates forward looking information.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(e) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

7. SEGMENT INFORMATION

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

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

The Group’s revenue was mainly derived in the PRC during the six months ended 30 June 2025 and 2024.

As at 30 June 2025 and 2024, all of the non-current assets were located in the PRC (31 December 2024: Same).

The revenue from external parties is derived from numerous external customers and the revenue reported to the CODM is measured in a manner consistent with that in the consolidated financial statements.

8. REVENUE

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue from construction services	4,176	13,524
Design service income	—	—
	4,176	13,524

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

9. OTHER INCOME AND OTHER LOSSES, NET

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Other income:			
Government grants	(i)	—	—
Rental income from investment properties		—	—
Gains on disposal of a subsidiary	(iii)	951,651	1
		951,651	1
Other gains/(losses), net:			
Penalty of lawsuit	(ii)	—	(5,726)
Gain on disposal of property, plant and equipment		4	—
Others		88	—
		92	(5,726)

Notes:

- (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.
- (ii) The Group has no penalties of lawsuits (30 June 2024: RMB5,726,000) as at 30 June 2025 since the directors of the Company are of the opinion that it is probable that an outflow of resources embodying economic benefits would be required to settle the lawsuits.
- (iii) The Company commenced a voluntary winding up of a former subsidiary, Sosang (HK) Holdings Limited ("**Sosang**") holding interest in the debt burdened Shenzhen Wenye Decoration Design Engineering Co., Ltd* (深圳文業裝飾設計工程有限公司) ("**Wenye Decoration**"). On 12 June 2025, the liquidator disposed the companies holding interest in Wenye Decoration to Very Big Win Limited (大贏家有限公司) as purchaser as part of the winding up process of Sosang during which the liquidator had to settle the assets and liabilities of Sosang.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

9. OTHER INCOME AND OTHER LOSSES, NET *(continued)*

The net liabilities disposed of at the disposal date are set out as follows:

Net liabilities disposed of:	RMB'000
Property, plant and equipment	7,222
Trade and other receivables	177,032
Cash and cash equivalents	429
Bank and other borrowings	(130,735)
Trade and other payables	(1,004,392)
	(950,444)
Gain on disposal of subsidiaries:	
Consideration receivable <i>(note)</i>	1,207
Net liabilities disposed of	(950,444)
	(951,651)
Net cash inflow arising on disposal:	
Cash consideration received	1,207
Bank balances and cash disposed of	(429)
	778

Note: Consideration receivable of HKD1,300,000 (equivalent to RMB1,207,000) was received in full during the period ended 30 June 2025.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

10. FINANCE COSTS, NET

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Finance income:		
– Interest income	5	19
	5	19
Finance costs:		
– Interest expense on bank and other borrowings	(195)	(6,779)
– Interest expense on lease liabilities	(19)	(233)
	(214)	(7,012)
Finance costs, net	(209)	(9,993)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

11. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current income tax	—	—
Deferred income tax	—	—
Income tax expense	—	—

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% (2024: 25%).

No provision for Hong Kong Profits Tax is required since the Group’s income is derived from overseas source which is not liable to Hong Kong Profits Tax.

12. DIVIDENDS

The directors do not recommend the payment of any dividend for each of the periods ended 30 June 2025 and 2024.

13. PROFIT/(LOSS) PER SHARE

(a) Basic profit per share

The calculation of basic profit per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB885,804,000 (30 June 2024: loss of RMB21,685,000) and the weighted average number of ordinary shares of 673,200,000 (30 June 2024: 593,940,017, as adjusted to reflect the capitalisation of 444,510,000 shares which took place on 14 January 2020) and excluded shares held under the restricted share unit scheme (“**RSU scheme**”) in issue during the six months ended 30 June 2025 (30 June 2024: Same).

(b) Diluted profit per share

No diluted profit per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2025 (30 June 2024: Same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

14. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Property, plant and equipment RMB'000 (Unaudited)	Investment properties RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)	Right-of-use assets RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 June 2025					
Opening net book amount as at 1 January 2025	—	—	—	1,714	1,714
Depreciation and amortisation	—	—	—	(92)	(92)
Closing net book amount as at 30 June 2025	—	—	—	1,622	1,622
For the six months ended 30 June 2024					
Opening net book amount as at 1 January 2024	7,615	—	—	—	7,615
Disposal	—	—	—	—	—
Depreciation and amortisation	(91)	—	—	—	(91)
Closing net book amount as at 30 June 2024	7,524	—	—	—	7,524

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

15. TRADE AND OTHER RECEIVABLES

	Notes	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Trade receivables	(i)	—	688,722
Provision for loss allowance		—	(638,091)
Trade receivables, net		—	50,631
Retention receivables	(ii)	—	222,585
Provision for loss allowance		—	(216,620)
Retention receivables, net		—	5,965
Deposits	(iii)	—	9,922
Provision for loss allowance		—	(9,881)
Deposits, net		—	41
Prepayments		6	37,570
Advances to staff		181	778
Other receivables		3,582	19,305
Total trade and other receivables		3,769	114,290
Analysed as:			
Current assets		3,769	114,290
Non-current assets		—	—
		3,769	114,290

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

15. TRADE AND OTHER RECEIVABLES *(continued)*

- (i) The credit terms of trade receivables are generally stated as up to 60 days from the invoice date. The ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Unbilled revenue (<i>Note (i)</i>)	—	473,236
Within 30 days	—	—
31 days to 6 months	—	6,211
6 months to 1 year	—	9,709
1 to 2 years	—	18,047
2 to 3 years	—	54,747
Over 3 years	—	126,772
	—	688,722

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.

- (ii) Retention receivables represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally lasts for 1 to 2 years. As of 30 June 2025 and 31 December 2024, the ageing analysis of the retention receivables based on the retention period expiry date, is as follows:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Within 1 year	—	4,329
1 to 2 years	—	—
Over 2 years	—	218,256
	—	222,585

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

16. CONTRACT ASSETS AND LIABILITIES

Disclosures of revenue-related items:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Contract assets — construction services	3,809	766,797
Contract assets — design services	—	3,474
	3,809	770,271
Less: Provision for loss allowance	(—)	(707,003)
Total contract assets	3,809	63,268
Contract liabilities — construction services	—	54,254
Contract liabilities — design services	—	8,745
Total contract liabilities	—	62,999
Contract receivables (include in trade receivables)	—	50,631

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue recognized in the period that was included in contract liabilities at beginning of year:		
— Construction services	—	—
— Design services	—	—
	—	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

17. BANK AND CASH BALANCES

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Cash at bank	10,699	507
Denominated in:		
RMB	10,699	507
HK\$	—	—
	10,699	507

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

18. TRADE AND OTHER PAYABLES

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Trade payables	3,917	690,887
Bills payables	—	—
	3,917	690,887
Accruals and other payables		
— Accrued staff benefits	1,329	20,091
— Other payables and accruals	12,605	97,024
— Provision for litigation penalty	—	66,927
	13,934	184,042
	17,851	874,929

As at 30 June 2025 and 31 December 2024, the carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
RMB	17,851	874,929
HK\$	—	—
	17,851	874,929

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

18. TRADE AND OTHER PAYABLES *(continued)*

The ageing analysis of the trade and bills payable, based on invoice date, is as follows:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Within 30 days	3,917	—
31 days to 6 months	—	—
6 months to 1 year	—	9,019
1 to 2 years	—	14,659
2 to 3 years	—	138,944
Over 3 years	—	528,265
	3,917	690,887

19. BANK BORROWINGS

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Bank borrowings	—	28,774

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

As at 30 June 2025, the Group did not have aggregate banking facilities (31 December 2024: RMB28,774,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

20. OTHER BORROWINGS

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Other borrowings	10,000	84,049

The borrowings are repayable as follows:

	As at 30 June 2025 RMB'000	As at 31 December 2024 RMB'000
On demand or within one year	10,000	84,049
In the second year	—	19,388
In the third to fifth years, inclusive	—	—
	10,000	102,437
Less: Amount due for settlement within 12 months (shown under current liabilities)	(10,000)	(84,049)
Amount due for settlement after 12 months	—	18,388

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

20. OTHER BORROWINGS *(continued)*

Note:

- (i) On 27 June 2025, the Group entered into one loan agreement with one independent third parties in the PRC which granted loan facilities of approximately RMB10,000,000.00. The loan term of the contract is 6 months from 27 June 2025 to 26 December 2025. The loans bear interest at a rate of 0.9% per month.

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

21. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Equivalent nominal value of shares RMB'000
Authorized:			
3,800,000,000 shares of HK\$0.0001 each	<i>(i)</i>	3,800,000,000	327
Issued and fully paid:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025		831,600,000	73

Note:

- (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.

22. CONTINGENT LIABILITIES

As at 30 June 2025, the Group and the Company did not have any significant contingent liabilities (31 December 2024: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

23. COMMITMENTS

(a) Lease commitments

The Group leases various office premise under non-cancellable operating lease. The leases terms are between 1 to 5 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:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Within 1 year	—	—
	—	—

(b) Capital commitments

As at 30 June 2025 and 2024, the Group and the Company did not have any significant capital commitments.

24. 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 six months ended 30 June 2025:

- (i) 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	Substantial Shareholder
Mr. Peng Weizhou	Shareholder
Mr. Wan Neng	Shareholder
Mr. Lee Man Chiu	Investor
Mr. Kong Guojing	Chairman
Mr. Jia Yuanyuan	Non-Executive Director
Mr. Mak Ho Fai	Non-Executive Director
Ms. Ye Jinhua	Spouse of Mr. Fan Shaozhou, the substantial shareholder
Mr. Kong Nianshun	Son of Mr. Kong Guojing, Executive Director

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

24. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Amount due to related parties

	30 June 2025 RMB'000	31 December 2024 RMB'000
Non-trade payables to		
Mr. Kong Guojing <i>(Note a)</i>	19,590	21,710
Mr. Mak Ho Fai <i>(Note a)</i>	—	1,395
Mr. Lee Man Chiu <i>(Note a)</i>	—	—
Mr. Fan Shaozhou <i>(Note a)</i>	230	1,673
Mr. Chen Li <i>(Note a)</i>	—	585
Mr. Kong Nianshun <i>(Note a)</i>	—	—
Mr. Peng Weizhou <i>(Note b)</i>	—	268
Ms. Ye Jinhua <i>(Note a)</i>	—	10
Mr. Wan Neng <i>(Note a)</i>	—	1
	2,190	25,642

As at 30 June 2025 and 31 December 2024, non-trade payables balance to a related party was unsecured, interest-free and repayable on demand and approximate their fair values.

The balances with related parties are denominated in RMB.

Notes:

- (a) The Group had funds RMB23,821,000 loaned from Mr. Fan Shaozhou, Mr. Kong Guojing, Mr. Chen Li, Mr. Kong Nianshun, Ms. Ye Jinhua, Mr. Mak Ho Fai, Mr. Lee Man Chiu and Mr. Wan Neng to increase the company's liquidity.
- (b) On 18 September 2021, Mr. Peng Weizhou and an independent third party A entered into a loan agreement with an independent third party B, who granted loan facilities of RMB8,100,000. The loan bears interest at a rate of 14.6% per annum and is repayable in 6 months. The loan facility is secured by certain properties owned by Mr. Peng Weizhou and the independent third party A, respectively and guaranteed by Mr. Fan Shaozhou, and a subsidiary of Wenye Decoration.

(iii) Guaranteed by shareholders and related parties

After the disposal of Wenye Decoration, there was no new loan guaranteed by shareholders and related parties.