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WEIYE HOLDINGS LIMITED

偉業控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

(Hong Kong Stock Code: 1570)

ANNOUNCEMENT OF FULL YEAR FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of WEIYE HOLDINGS LIMITED (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures, as follows:

* For identification purpose only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	2,777,872	763,062
Cost of sales		<u>(2,141,164)</u>	<u>(595,446)</u>
Gross profit		636,708	167,616
Other income	4	186,503	47,630
Selling and distribution expenses		(63,347)	(46,765)
Administrative expenses		(188,216)	(145,929)
Other operating expenses		(5,289)	(1,730)
Share of loss from joint ventures		<u>(3,050)</u>	<u>–</u>
Results from operating activities		563,309	20,822
Net finance costs	5	<u>(58,021)</u>	<u>(39,505)</u>
Profit/(loss) before taxation	7	505,288	(18,683)
Income tax expense	6	<u>(282,775)</u>	<u>(38,183)</u>
Profit/(loss) for the year		<u>222,513</u>	<u>(56,866)</u>
Profit/(loss) attributable to:			
Owners of the Company		23,280	(30,890)
Non-controlling interests		<u>199,233</u>	<u>(25,976)</u>
Profit/(loss) for the year		<u>222,513</u>	<u>(56,866)</u>
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<u>(3,167)</u>	<u>(4,975)</u>
Total other comprehensive loss for the year, net of income tax		<u>(3,167)</u>	<u>(4,975)</u>
Total comprehensive income/(loss) for the year		<u>219,346</u>	<u>(61,841)</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		20,567	(34,110)
Non-controlling interests		198,779	(27,731)
		<hr/>	<hr/>
Total comprehensive income/(loss) for the year, net of income tax		219,346	(61,841)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(losses) per share:			
Basic earnings/(losses) per share (<i>RMB cents</i>)	8	11.87	(15.75)
Diluted earnings/(losses) per share (<i>RMB cents</i>)	8	11.87	(15.75)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	9	84,564	80,788
Intangible assets		1,256	1,476
Investment properties		478,000	481,000
Joint ventures		357,950	110,000
Trade and other receivables	10	192,160	123,160
Deferred tax assets		42,923	58,398
		<u>1,156,853</u>	<u>854,822</u>
Current assets			
Inventories		17,281	20,592
Development properties and prepaid costs		4,339,069	4,755,327
Contract costs		39,054	77,259
Trade and other receivables	10	628,654	1,370,221
Contract assets		660,736	663,585
Other investments		9,000	19,571
Prepaid tax		69,032	138,131
Cash and cash equivalents		876,548	981,584
		<u>6,639,374</u>	<u>8,026,270</u>
Current liabilities			
Loans and borrowings	13	1,453,322	1,617,903
Trade and other payables	11	1,641,790	1,304,010
Contract liabilities		1,342,697	2,741,307
Income tax payable		433,519	293,446
		<u>4,871,328</u>	<u>5,956,666</u>
Net current assets		<u>1,768,046</u>	<u>2,069,604</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities			
Loans and borrowings	13	532,286	787,369
Deferred tax liabilities		376,012	370,188
		<u>908,298</u>	<u>1,157,557</u>
Net assets		<u>2,016,601</u>	<u>1,766,869</u>
Equity attributable to owners of the Company			
Share capital	12	359,700	359,700
Reserves		1,113,444	1,092,877
		<u>1,473,144</u>	<u>1,452,577</u>
Non-controlling interests		<u>543,457</u>	<u>314,292</u>
Total equity		<u>2,016,601</u>	<u>1,766,869</u>

NOTES

1. GENERAL INFORMATION

WEIYE HOLDINGS LIMITED (the “Company”) is a company incorporated in the Republic of Singapore. The address of the Company’s registered office is 100H Pasir Panjang Road, #01-01, OC@Pasir Panjang, Singapore, 118524. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) since 6 April 2016.

The consolidated results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in joint ventures.

The principal activities of the Company is investment holding and its subsidiaries are those of property developers for residential and commercial properties in the People’s Republic of China (the “PRC”), and manufacture and trading of clean room equipment, heating ventilation and air-conditioning and air purification integrated solution products.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and other investments which have been measured at fair value.

2.3 Functional and presentation currency

The Company’s functional currency is the Singapore dollar. As the Group’s operations are principally conducted in the PRC, the consolidated financial statements have been presented in the Chinese Renminbi (“RMB”). All financial information presented in RMB has been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services offered, and has two reportable operating segments as follows:

I. Property development

Property development includes the development and sales of both commercial and residential property units, construction of resettlement houses in the PRC and the leasing of investment properties to generate rental income and to derive capital gains from the investment properties in the long term.

II. Clean room equipment, heating ventilation and air-conditioning products, and air purification integrated solution (“Equipment manufacturing”)

A clean room provides an environment where the humidity, temperature and particles in the air are precisely controlled. Clean room equipment includes fan filter units, air showers, clean booths, pass boxes, clean hand dryers and clean benches, amongst others. Heating ventilation and air-conditioning products are essentially deflection grilles and air diffusers installed to channel and regulate the airflow into the environment within the building to ensure an even distribution of air within the confined space. Air purification equipment (also referred to as air cleaners) are electrical devices that remove solid and gaseous pollutants from the air such as formaldehyde and PM2.5 which may pose adverse health risks that include breathing difficulties, asthma and allergies. Through the function of air filters or sterilising systems built into each air purification equipment, the concentration of dust, contaminants, fine particles and volatile organic compounds in the air are reduced to the benefit of individuals within the immediate vicinity. Integrated with air purification system, other solutions such as smart home equipment with integrated security system implementation services, renovation materials, and supply and installation of smart door and window system have been included.

The Group’s Executive Chairman (“Chief Operating Decision Maker”) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Reconciliations of reportable revenue, profit or loss, assets and liabilities:

	Property development		Equipment manufacturing		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue:						
External customers	<u>2,675,749</u>	<u>706,109</u>	<u>102,123</u>	<u>56,953</u>	<u>2,777,872</u>	<u>763,062</u>
Inter-segment revenue	-	-	-	-	-	-
Segments results from operating activities	<u>572,322</u>	<u>40,058</u>	<u>(9,013)</u>	<u>(19,236)</u>	<u>563,309</u>	<u>20,822</u>
Interest income	15,626	14,028	277	271	15,903	14,299
Finance costs	(64,937)	(43,695)	(8,987)	(10,109)	(73,924)	(53,804)
Reportable segment profit/(loss) before taxation					505,288	(18,683)
Income tax expense					(282,775)	(38,183)
Non-controlling interests					(199,233)	25,976
Profit/(loss) attributable to owners of the Company					<u>23,280</u>	<u>(30,890)</u>
Reportable segment assets	7,668,609	8,794,222	127,618	86,870	<u>7,796,227</u>	<u>8,881,092</u>
Reportable segment liabilities	(3,739,433)	(4,681,659)	(54,585)	(27,292)	(3,794,018)	(4,708,951)
Loans and borrowings	(1,798,766)	(2,161,574)	(186,842)	(243,698)	(1,985,608)	(2,405,272)
Total liabilities					<u>(5,779,626)</u>	<u>(7,114,223)</u>
Other segment information						
Capital expenditure	3,674	905	465	2,719	4,139	3,624
Allowance for impairment loss made/(reversed) on trade and other receivables (excluding prepayments) and contract assets	226	(2,559)	81	(212)	307	(2,771)
Depreciation of property, plant and equipment	8,579	8,470	4,925	4,139	13,504	12,609
Amortisation of intangible assets	<u>236</u>	<u>200</u>	<u>78</u>	<u>-</u>	<u>314</u>	<u>200</u>

Geographical segment

The Group's geographical segments are based on the location of the Group's assets. Revenue to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table presents revenue and certain non-current assets information regarding the Group's geographical segments as at and for the years ended 31 December 2020 and 31 December 2019.

	PRC <i>RMB'000</i>	Singapore <i>RMB'000</i>	Other countries <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2020				
Revenue	2,729,177	36,553	12,142	2,777,872
Non-current assets*	897,593	3,843	20,334	921,770
31 December 2019				
Revenue	709,816	53,082	164	763,062
Non-current assets*	645,654	5,699	21,911	673,264

* Excludes trade and other receivables and deferred tax assets.

4. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Changes in fair value of investment properties	(3,000)	15,000
Gain on bargain purchase arising from acquisition of a subsidiary	–	17,745
Gain on disposal of property, plant and equipment	801	525
Gain on disposal of investment properties	–	24
Gain on disposal of a joint venture	–	4,172
Gain on disposal of other investments	204	13
Gain on disposal of subsidiaries	177,852	–
Government grants	2,984	1,213
Net changes in fair value on other investments	151	(247)
Compensation income	1,225	878
Rental income	4,966	4,010
Others	1,320	4,297
	186,503	47,630

5. NET FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	15,903	14,299
Interest expenses on loans and borrowings	(247,218)	(286,865)
Interest expenses on lease liabilities	(1,338)	(335)
Others	(800)	(457)
	<u>(233,453)</u>	<u>(273,358)</u>
Finance cost capitalised in development properties	175,432	233,853
	<u>(58,021)</u>	<u>(39,505)</u>

6. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax expense		
Current year income tax	<u>142,779</u>	<u>71,351</u>
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	3,860	(101,597)
Withholding tax on the profits of the Group's PRC subsidiaries	<u>18,608</u>	<u>9,695</u>
	<u>22,468</u>	<u>(91,902)</u>
Land appreciation tax ("LAT") expense		
LAT	<u>117,528</u>	<u>58,734</u>
Total tax expense	<u><u>282,775</u></u>	<u><u>38,183</u></u>

Singapore and PRC income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulations in Singapore and the PRC.

Pursuant to a PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises have been unified at 25% effective from 1 January 2008.

According to the Implementation Rules of the Corporate Income tax Law of PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

Certain subsidiaries within the Group are paying corporate income tax on a deemed tax basis as agreed with the local tax authorities. The tax obligations are determined by applying the corporate income tax rate on the deemed profit generated. The deemed profit generated is calculated based on a deemed profit rate on the revenue generated by the subsidiaries.

LAT is levied on properties in the PRC developed for sale by the Group at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds from the sale of properties less deductible expenditures which include lease charges of land use rights, borrowing costs and all property development expenditures. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for some of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the difference realises.

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting) the followings:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Audit fees paid/payable	2,683	2,025
Non-audit fee paid/payable	578	–
Amortisation of intangible assets	314	200
Allowance for impairment loss made/(reversed) on trade and other receivables	349	(16)
Allowance for impairment loss reversed on contract assets	(42)	(2,755)
Depreciation of property, plant and equipment	13,504	12,609
Gain on disposal of investment properties	–	(24)
Gain on disposal of a joint venture	–	(4,172)
Gain on disposal of other investment	(204)	(13)
Gain on disposal of subsidiaries	(177,852)	–
Net changes in fair value on other investments	(151)	247
Changes in fair value of investment properties	3,000	(15,000)
Raw materials, changes in finished goods and work-in-progress recognised	80,527	42,149
Property, plant and equipment written off	25	764
Inventories written off	–	195
	<u>80,527</u>	<u>42,149</u>

8. EARNINGS/(LOSSES) PER SHARE

The following tables reflect the profit or loss and share data used in the computation of basic and diluted earnings/(losses) per share for the years ended 31 December:

	2020	2019
Earnings/(losses) per share is based on		
Profit/(loss) for the year attributable to owners of the Company (<i>RMB'000</i>)	<u>23,280</u>	<u>(30,890)</u>
Weighted average number of ordinary shares (<i>'000</i>)	<u>196,133</u>	<u>196,133</u>
Basic and diluted earnings/(losses) per share (<i>RMB cents</i>)	<u>11.87</u>	<u>(15.75)</u>

Basic earnings/(losses) per share is calculated on the Group's profit/(loss) for the financial year attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings/(losses) per share is calculated on the same basis as basic earnings/(losses) per share as the Group did not issue dilutive instruments.

9. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB14.1 million (2019: RMB4.9 million) on the acquisition of property, plant and equipment.

Right-of-use assets of RMB46,665,000 (2019: RMB40,854,000) were included in the carrying amount of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

Trade receivables of the Group are non-interest bearing and are normally settled between 30 and 180 days (2019: between 30 and 180 days). They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The ageing of trade receivables at the reporting date, based on due date, is as follows:

2020	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
Current (not past due)	25,577	(141)
1 – 30 days past due	7,993	(43)
31 – 60 days past due	24,030	(17)
61 – 90 days past due	1,319	(22)
More than 90 days past due	<u>10,153</u>	<u>(559)</u>
	<u>69,072</u>	<u>(782)</u>

2019	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
Current (not past due)	7,760	(32)
1 – 30 days past due	3,276	(19)
31 – 60 days past due	2,377	(22)
61 – 90 days past due	2,644	(44)
More than 90 days past due	6,796	(1,083)
	<u>22,853</u>	<u>(1,200)</u>

Trade receivables that are past due

As at 31 December 2020, the Group had trade receivables that are past due amounting to RMB42,854,000 (31 December 2019: RMB13,925,000). Included in these trade receivables are amounts of RMB14,826,000 and RMB28,028,000 (31 December 2019: RMB11,521,000 and RMB2,404,000) attributed primarily to the equipment manufacturing and development properties operations, respectively.

11. TRADE AND OTHER PAYABLES

Trade payables primarily comprise construction costs payable to third parties.

The ageing profile of trade payables of the Group at the reporting date, based on invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current	860,558	504,854
1 – 30 days	2,010	2,185
31 – 60 days	1,212	8,583
61 – 90 days	1,508	28
More than 90 days	27,090	13,640
	<u>892,378</u>	<u>529,290</u>

12. SHARE CAPITAL

	Company <i>RMB'000</i>	Number of shares <i>'000</i>
Fully paid ordinary shares, with no par value		
As at 1 January and 31 December 2019 and 2020	<u>359,700</u>	<u>196,133</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. All shares rank equally with regard to the Company's residual assets.

During the year ended 31 December 2020, there were no share options issued by the Company.

13. LOANS AND BORROWINGS

	2020			2019		
	Secured <i>RMB'000</i>	Unsecured <i>RMB'000</i>	Total <i>RMB'000</i>	Secured <i>RMB'000</i>	Unsecured <i>RMB'000</i>	Total <i>RMB'000</i>
Amount repayable in one year or less, or on demand	1,285,789	167,533	1,453,322	1,476,232	141,671	1,617,903
Amount repayable after one year	482,292	49,994	<u>532,286</u>	763,000	24,369	<u>787,369</u>
Total loans and borrowings			<u><u>1,985,608</u></u>			<u><u>2,405,272</u></u>

Details of any collateral

In 2020, loans and borrowings for the Group include banker's acceptance, lease liabilities, bank overdrafts, bank loans, loans from trust finance company and other loans (2019: banker's acceptance, lease liabilities, bank overdrafts, bank loans, loans from trust finance company and other loans). The loans and borrowings, excluding lease liabilities and other loans, are secured by:

- (i) Legal mortgage of the assets of subsidiaries, development properties and investment properties;
- (ii) Legal mortgage of the property, plant and equipment;
- (iii) Corporate guarantee from the Company and its subsidiaries; and
- (iv) Guarantees from third parties.

14. DIVIDEND

The Board did not declare or recommend any dividend for the year ended 31 December 2020 (2019: Nil).

15. ADOPTION OF NEW/REVISED IFRSs

The Group has adopted all the new and revised/amended IFRSs which are effective for the Group's accounting periods beginning on or after 1 January 2020 and throughout the year ended 31 December 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of a Business)

Except as described below, the application of the “Amendments to References to the Conceptual Framework in IFRS Standards” and amendments to IFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information or both. The amendments did not have any significant impact on the financial position and performance of the Group.

The application of the amendments in the current year had no impact on the consolidated financial statements.

IFRS 3 Business Combinations (Amendment – Definition of a Business)

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020.

The application of the amendments in the current year had no impact on the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

	2020	2019	% change
	<i>RMB'000</i>	<i>RMB'000</i>	+/(-)
Property Development			
Revenue	2,675,749	706,109	+279%
Cost of sales	<u>(2,060,637)</u>	<u>(553,297)</u>	+272%
Gross profit	<u><u>615,112</u></u>	<u><u>152,812</u></u>	
Gross Profit Margin	23%	22%	
Equipment Manufacturing			
Revenue	102,123	56,953	+79%
Cost of sales	<u>(80,527)</u>	<u>(42,149)</u>	+91%
Gross profit	<u><u>21,596</u></u>	<u><u>14,804</u></u>	
Gross Profit Margin	21%	26%	

Revenue and Gross Profit Margin (“GP Margin”)

Property development business

During the year ended 31 December 2020, there was a significant increase in our total net saleable floor area (“NSFA”) handed over to customers to approximately 267,728 square meters (2019: 80,285 square meters).

Revenue from property development business for the year ended 31 December 2020 was mainly from the following projects, namely Weiye Meiyue Wan, Taihu Tiancui, Yuediwan and Yuejiangwan, which contributed approximately RMB895.3 million, RMB840.6 million, RMB304.4 million and RMB531.4 million respectively.

The gross profit (“GP”) of the property development business for the year ended 31 December 2020 amounted to approximately RMB615.1 million, representing an increase of approximately 303% as compared to the corresponding period in 2019. The GP margin increased by 1% which is stable with 2019.

Equipment manufacturing business

This segment recorded a revenue of approximately RMB102.1 million for the year ended 31 December 2020 which represented 79% increase as compared to the corresponding period in 2019. This was mainly because the Group expanded its business to the supply and/or installation for smart doors and windows in the PRC through an acquisition of subsidiaries.

This in turn resulted in 46% increase in gross profit to approximately RMB21.6 million for the year ended 31 December 2020, as compared to the corresponding period in 2019. Despite an increase in the revenue, the GP margin for equipment manufacturing business was dropped from 26% for the year ended 31 December 2019 to 21% for the year ended 31 December 2020, mainly due to high volume of low margin business model for smart doors and windows business, lowering the overall gross profit margin reported by the Group.

Other income

Other income increased by approximately 292% in this year, primarily due to gain on disposal of a subsidiary, Huiyang Jinlida Property Management Co., Ltd. (“Huiyang Jinlida”), with approximately RMB177.9 million, and it was being set off by a decrease in fair value change of investment properties with approximately RMB3.0 million recorded for the current year.

Selling and distribution expenses

Selling and distribution expenses amounted to approximately RMB63.3 million for the year ended 31 December 2020, represented an increase of 35% as compared to the corresponding period in 2019. This was mainly due to an increase in salaries incurred for some property projects, with approximately RMB6.6 million and as well as an increase in promotional and marketing related costs of Yuediwan, Yuejiangwan and Weiye Lanting Wan with approximately RMB6.8 million for the current year.

Administrative expenses

Administrative expenses for the year ended 31 December 2020 was approximately RMB188.2 million, which was 29% higher than the corresponding period in 2019. It was mainly due to additional administrative expenses incurred for newly set up of subsidiaries during the year and additional salaries incurred for Yangtze River Delta Region projects and new industrial real estate sector as compared to the corresponding period in 2019.

Net finance costs

Net finance costs was reported for the year ended 31 December 2020 at approximately RMB58.0 million, representing an increase of 47% as compared to the corresponding period in 2019, this was mainly due to an increase in finance costs which cannot be capitalised in development properties during the year ended 31 December 2020.

Taxation

The significant increase in income tax expense for the year ended 31 December 2020 was mainly due to higher provision of corporate income tax by approximately RMB71.4 million as a result of significant increase in profit during the year ended 31 December 2020 and higher provision of land appreciation tax by approximately RMB58.8 million as a result of significant increase in revenue from property development business for the year ended 31 December 2020.

Review of financial position

The increase in joint ventures of approximately RMB248.0 million as at 31 December 2020 was mainly due to the investment of approximately RMB250 million in an equity interest in connection with Hangzhou Yuhang property project during the year.

The decrease in development properties and prepaid cost of approximately RMB416.3 million as at 31 December 2020 was mainly due to the sales of property development units in development projects, mainly Weiye Meiyue Wan, Taihu Tiancui, Yuejiangwan and Yuediwan and set off by the progressive construction costs incurred in property development projects, mainly, Weiye Shangcheng Sanhaoyuan, Fujian Tianzhi and Fujian Tianjue.

The decrease in trade and other receivables (current assets) of approximately RMB741.6 million as at 31 December 2020 was mainly due to the decrease in deposits paid for acquisition of Huijiang Jinlida of approximately RMB350.0 million which was disposed during the year and reclassification of deposits paid in connection with Hangzhou Yuhang property project of approximately RMB244.7 million as investment in joint venture during the year.

The increase in trade and other payables of approximately RMB337.8 million as at 31 December 2020 was mainly due to increase in trade payables in relation to construction work for Taihu Tiancui, Yuejiangwan and Yuediwan projects which were completed near the year end.

The decrease in contract liabilities by approximately RMB1,398.6 million as at 31 December 2020 was mainly due to reversal of contract liabilities caused by sales recognition from projects mainly Weiye Meiyue Wan, Taihu Tiancui, Yuejiangwan and Yuediwan in the current year.

The net decrease in loans and borrowings as at 31 December 2020 was mainly due to repayment of loans and borrowings obtained to finance the development of property projects during the current year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, the Group's net current assets amounted to approximately RMB1,768.0 million, representing a decrease in 15% as compared to the corresponding period in 2019, this was mainly due to decrease in development properties and trade and other receivables of approximately RMB1,157.8 million and increase in trade and other payables of approximately RMB337.8 million, partially offset by decrease in contract liabilities of approximately RMB1,398.6 million.

Our loans and borrowings are denominated in Renminbi, Hong Kong Dollar, United States Dollar, Singapore Dollar (“SGD”) and Malaysia Ringgit. As at 31 December 2020, our total outstanding loans and borrowings amounted to approximately RMB1,985.6 million.

NET GEARING RATIO

Net gearing ratio is calculated based on our total debt less cash and cash equivalents divided by total equity. Total debt includes interest bearing loans and borrowings. As at 31 December 2020, the Group had net gearing ratio of 55% (31 December 2019: 81%).

FOREIGN EXCHANGE EXPOSURE

The Group's property development and equipment manufacturing businesses are principally conducted in RMB and SGD, which are the functional currencies of the respective subsidiaries of the Group. Most of the Group's monetary assets and liabilities are denominated in RMB and SGD. Our business operations do not involve much of international transactions.

Accordingly, the Group considers that the Group's exposure to foreign currency risk is not significant and hence the Group does not employ any financial instruments for hedging purposes.

STRATEGY AND OUTLOOK

Under stern policies in the PRC for real estate regulation and control, finance, and other industries in the midst of the severe COVID-19 pandemic, we will conduct accurate analysis on the combined impacts brought by pandemic conditions and various policies, while accurately capturing the industry development trends. In the spirit of “risk prevention”, “healthy development”, and “sustainable development”, we will optimize our internal structure and attract external investments to resolve issues and prevent risk exposure during our development, while continuing to promote the healthy, sustainable, and efficient business development of the Group.

The Group will focus on the real estate development as its business orientation by starting with land acquisitions, while taking advantage of the development features of various regions to achieve the concurrent development of the “short, medium, and long-term objectives”, as well as the industrial upgrade. Supplemented by high-turnover projects featuring fast returns with little investments in short periods, we will selectively carry out our business expansion and development in target cities by differentiating development strategies for various areas to support the healthy and sustainable development of the Group when the risk exposure is brought under control.

In terms of financing, the Group will take the initiative to strategically pursue collaboration with those sizeable financial institutions that remain within the limitation quota. To advance our financing operations, the Group will capitalize on new financing opportunities to consolidate resources and establish financing platforms. Furthermore, the Group will continue to explore and innovate financing solutions.

In terms of cost control, the Group will continue to proceed with the cost standardization using the regulated, procedural, and standardized approaches, while enhancing the cost-effective and risk awareness of our employees as a whole, thereby safeguarding the rationale, lawfulness, and compliance of all work results for practical purposes. This will effectively minimize our business risk and guarantee the profit targets of our projects.

In terms of investment expansion, the Group will double down its efforts to conduct in-depth analysis and research over the market conditions during the medium-term and short-term cycles, and improve our top-level design of the development model by eliminating the conventional development thought. In making full use of the leverage of funds, we consider project expansion from multiple dimensions such as joint development, equity cooperation, independent development, and equity transfer so as to make flexible responses to changing market conditions. We design cooperative models for the purposes of maximizing benefits, providing a solid foundation to achieve overall and phased operating targets of the projects.

In terms of team building, by emphasizing on our corporate culture of team spirits, synergy, hardworking and diligence, we shall continue to strengthen the quality of our work force, and acquire and retain talents, so that an efficient team is built to effectively resolve issues and demonstrate its competence in corporate governance and operation.

Moving forward, we will remain well positioned to keep pace with time, seize opportunities, and embrace challenges to achieve new heights.

EMPLOYEES AND REMUNERATION

As at 31 December 2020, there were 469 employees (2019: 478) in the Group.

Total employee benefits expenses of the Group (including Directors’ fee) for the year ended 31 December 2020 were approximately RMB114.1 million (2019: RMB85.0 million). Staff remuneration packages are determined based on each employee’s qualifications, experience, position and seniority.

The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and Group's results of operations.

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

There was no purchase, redemption or sale of listed securities of the Company for the year ended 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group disposed 100% equity interest in Huiyang Jinlida at the consideration of approximately RMB975.4 million. Except for the above, there was no other material acquisition and disposal of subsidiaries by the Group during the year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors as at the date of this announcement, who were:

Mr. Lam Ying Hung Andy (*Chairman*)

Mr. Dong Xincheng

Mr. Liu Ning

The Group's annual results for the year ended 31 December 2020 had been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company had fully complied with Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2020, save for deviations as stated hereof: Code Provision A.2.1 – The roles of the Chairman and the Chief Executive Officer of the Company were not separated and were performed by Mr. Zhang Wei. The Board considers Mr. Zhang Wei is familiar with the culture and operations of the Company and has extensive experience in the real estate industry. The Directors consider the vesting 2 roles in the same individual will not impair the balance of power and authority between the Directors and the management of the Group. In addition, he is responsible for setting business strategies and managing the Group, which involves high-level decisions about policy and strategy, motivating employees, and driving change within the organization.

COMPLIANCE WITH THE MODEL CODE

In compliance with Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules, the Company has adopted its own internal compliance code pursuant to the Model Code’s best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company’s securities. In furtherance, specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout 2020.

The Company and its Officers are not allowed to deal in the Company’s shares during the period commencing 30 days immediately before the announcement of the Company’s interim results and 60 days immediately before the announcement of the Company’s full year results, and ending on the date of the announcement of the relevant results.

The Directors, management and executives of the Group are also expected to observe relevant insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company’s securities on short-term considerations.

DIVIDENDS

The Board did not declare or recommend any final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on a date to be fixed by the Board. Further announcement(s) will be made in respect of date of the annual general meeting of the Company and book closure date.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (the “HKEX”) at www.hkexnews.hk and the website of the Company at www.weiyeholdings.com. The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders of the Company and published on the respective websites of the HKEX and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to our management team and all employees for their commitments to create greater values for the Group. I would also like to extend my heartfelt gratitude to all our shareholders and strategic partners for your unwavering trust and relentless support all these years.

By Order of the Board
WEIYE HOLDINGS LIMITED
Zhang Wei

Executive Chairman and Chief Executive Officer

Hong Kong, 24 March 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Wei and Mr. Chen Zhiyong; and the independent non-executive Directors are Mr. Liu Ning, Mr. Lam Ying Hung Andy and Mr. Dong Xincheng.