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**GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED\***

**廣東愛得威建設(集團)股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6189)**

## **2020 INTERIM RESULTS ANNOUNCEMENT**

	<b>For the six months ended 30 June</b>		
	<b>2020</b>	<b>2019</b>	<b>Changes</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
<b>Revenue</b>	<b>159.751</b>	744.876	-78.55%
<b>Gross Profit</b>	<b>24.724</b>	92.148	-73.17%
<i>Gross Profit Margin</i>	<b>15.48%</b>	12.37%	3.11 p.p.
<b>(Loss)/Profit attributable to owners of the Company</b>	<b>(22.786)</b>	52.896	-143.08%
<i>Net (Loss)/Profit Margin</i>	<b>(14.26%)</b>	7.10%	-21.36 p.p.
Basic and diluted (loss)/earnings per share <i>(RMB)</i>	<b>(9.46) cents</b>	23.93 cents	-139.53%

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**” or “**Reporting Period**”), based on the interim condensed consolidated financial information which has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited 2020 interim condensed consolidated financial information of the Group has been reviewed by the Board and the audit committee of the Company (the “**Audit Committee**”). The Company is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2020, together with the comparative figures for the same period in 2019 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>159,751</b>	744,876
Cost of sales		<u>(135,027)</u>	<u>(652,728)</u>
<b>Gross profit</b>		<b>24,724</b>	92,148
Selling and marketing expenses		<b>(4,930)</b>	(4,223)
Administrative expenses		<b>(17,645)</b>	(18,708)
Net impairment losses on financial and contract assets		<b>(32,423)</b>	(7,333)
Other income — net		<u>10,518</u>	<u>5,737</u>
<b>Operating (loss)/profit</b>		<b>(19,756)</b>	67,621
Finance income		<b>253</b>	1,103
Finance costs		<u>(14,824)</u>	<u>(15,750)</u>
Finance costs — net		<u>(14,571)</u>	<u>(14,647)</u>
<b>(Loss)/profit before income tax</b>		<b>(34,327)</b>	52,974
Income tax credit/(expense)	6	<u>11,541</u>	<u>(78)</u>
<b>(Loss)/profit for the Period</b>		<u><b>(22,786)</b></u>	<u>52,896</u>
<b>Other comprehensive income</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the period</b>		<u><b>(22,786)</b></u>	<u>52,896</u>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<u><b>(22,786)</b></u>	<u>52,896</u>
<b>(Loss)/earnings per share</b>			
— Basic and diluted ( <i>RMB</i> )	7	<u><b>(9.46) cents</b></u>	<u>23.93 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		<b>56,399</b>	58,352
Right-of-use-assets		<b>11,354</b>	11,322
Investment properties		<b>667</b>	689
Intangible assets		<b>892</b>	1,779
Deferred income tax assets		<b>40,440</b>	35,945
Other receivables		<b>15,431</b>	22,961
		<u><b>125,183</b></u>	<u>131,048</u>
<b>Current assets</b>			
Inventories		<b>1,331</b>	1,684
Contract assets		<b>837,291</b>	985,212
Trade receivables	9	<b>1,071,129</b>	1,255,004
Prepayments and other receivables		<b>255,257</b>	144,647
Restricted cash		<b>40,828</b>	12,330
Cash and cash equivalents		<b>71,493</b>	254,591
		<u><b>2,277,329</b></u>	<u>2,653,468</u>
<b>Total assets</b>		<u><b>2,402,512</b></u>	<u><b>2,784,516</b></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>240,931</b>	240,931
Share premium		<b>321,977</b>	321,977
Other reserves		<b>104,791</b>	106,110
Retained earnings		<b>587,804</b>	609,271
		<u><b>1,255,503</b></u>	<u>1,278,289</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,264</b>	1,180
Deferred revenue		<b>1,593</b>	1,628
		<u><b>2,857</b></u>	<u>2,808</u>
<b>Current liabilities</b>			
Trade and other payables	10	<b>651,295</b>	956,361
Contract liabilities		<b>153,634</b>	117,673
Borrowings	11	<b>337,222</b>	417,158
Lease liabilities		<b>827</b>	793
Current income tax liabilities		<b>1,174</b>	11,434
		<u><b>1,144,152</b></u>	<u>1,503,419</u>
<b>Total liabilities</b>		<u><b>1,147,009</b></u>	<u>1,506,227</u>
<b>Total equity and liabilities</b>		<u><b>2,402,512</b></u>	<u>2,784,516</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) on 18 December 1996. On 3 December 2007, the Company was converted into a joint stock company with limited liability with registered capital of RMB30,800,000. Subsequently, with a series of capital injection in cash and share premium transferred as capital, registered capital of the Company was increased to RMB158,287,000.

The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016 with the total share capital increased to RMB211,050,000. The Company issued additional 10,000,000 H shares on 30 November 2018 and approximately 19,881,000 Domestic shares on 31 July 2019, and the total share capital increased to approximately RMB240,931,000.

The principal place of business of the Company is 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the PRC.

The Company and its subsidiaries (together the “**Group**”) are principally engaged in the provision of interior and exterior building decoration and design services in the PRC.

Mr. Ye Yujing (“**Mr. Ye**”) and Ms. Ye Xiujin (“**Ms. Ye**”), the wife of Mr. Ye, have been the controlling shareholders of the Group since its establishment.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 28 August 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting”. This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-related Rent Concessions
Revised Conceptual Framework for Financial Reporting	

The adoption of applicable new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

**(b) New standards and amendments to standards not yet adopted by the Group**

The following new standards and amendments to standards are not yet effective for financial year beginning 1 January 2020 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

The outbreak of Coronavirus Disease 2019 (the “**COVID-19 outbreak**”) in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces in the PRC which have caused significant adverse effects on the building decoration business of the Group, which also led to further provision in relation to certain large projects of which the settlement or payment process have been delayed after the management reviewed the expected credit loss and considered forward-looking information.

**4. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by chief operating 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. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the board of directors of the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group’s revenue is derived in the PRC during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

As at 30 June 2020, all of the non-current assets were located in the PRC (31 December 2019: same).

## 5. REVENUE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from construction contracts	146,462	719,462
Sales of goods	4,128	13,497
Design and other income	9,161	11,917
	<u>159,751</u>	<u>744,876</u>
Timing of revenue recognition:		
— Over time	155,623	731,379
— At a point in time	4,128	13,497
	<u>159,751</u>	<u>744,876</u>

## 6. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— PRC enterprise income tax	(7,046)	1,178
Deferred income tax	(4,495)	(1,100)
	<u>(11,541)</u>	<u>78</u>

Current taxation primarily represented the provision for PRC Enterprise Income Tax (“EIT”) for companies operating in the PRC. These companies are subject to EIT 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 Enterprise Income Tax Law (“EIT Law”), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. On 9 December 2019, the Company renewed the High and New Technology Enterprises Certificate, which is effective for three years commencing on 1 January 2019. The applicable income tax rate is 15% for the years from 2019 to 2021. Assuming that there is no change to the relevant laws and regulations, the directors consider that the Company will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to EIT at a rate of 25% (six months ended 30 June 2019: 25%) in accordance with EIT Law.

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the tax rate applicable to (loss)/profit of the consolidated entities as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/profit before income tax	<u>(34,327)</u>	<u>52,974</u>
Calculated at applicable tax rate	<b>(5,173)</b>	7,920
Expenses not deductible for tax purposes	<b>169</b>	40
Unrecognised temporary difference	<b>509</b>	64
Additional deduction on research and development expenses (a)	<u><b>(7,046)</b></u>	<u>(7,946)</u>
	<u><b>(11,541)</b></u>	<u>78</u>

(a) The additional deduction on research and development expenses are claimed directly in the annual EIT filing and recognised upon approval of the in-charge tax authority during the period.

## 7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
(Loss)/Profit attributable to owners of the Company (RMB'000)	<b>(22,786)</b>	52,896
Weighted average number of ordinary shares in issue (thousand shares)	<u><b>240,931</b></u>	<u>221,050</u>
Basic (loss)/earnings per share (RMB)	<u><b>(9.46) cents</b></u>	<u>23.93 cents</u>

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019. Diluted earnings per share is the same as the basic earnings per share.

## 8. DIVIDENDS

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six month ended 30 June 2019: none).

## 9. TRADE RECEIVABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade receivables (a)	<b>1,254,564</b>	1,404,849
Less: provision for impairment of trade receivables	<b>(200,283)</b>	(170,396)
Trade receivables — net	<b>1,054,281</b>	1,234,453
Notes receivable (b)	<b>16,848</b>	20,551
	<b><u>1,071,129</u></b>	<b><u>1,255,004</u></b>

(a) Ageing analysis of trade receivables based on invoice date is as follow:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 6 months	<b>210,889</b>	777,519
6 months to 1 year	<b>459,811</b>	405,689
1 year to 2 years	<b>425,292</b>	89,599
2 years to 3 years	<b>62,567</b>	60,730
Over 3 years	<b>96,005</b>	71,312
	<b><u>1,254,564</u></b>	<b><u>1,404,849</u></b>

(b) As at 30 June 2020, notes receivable of the Group were mainly commercial acceptance notes, with maturity of less than 12 months (31 December 2019: same).

## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Trade payables (a)	<b>383,691</b>	688,442
Notes payable (b)	<b>120,000</b>	103,500
Other tax payable	<b>111,828</b>	140,707
Payroll payable	<b>7,047</b>	10,590
Other payables	<b>28,729</b>	13,122
	<b><u>651,295</u></b>	<b><u>956,361</u></b>

(a) Ageing analysis of trade payables based on invoice date is as follows:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 6 months	<b>63,331</b>	398,285
6 months to 1 year	<b>125,181</b>	137,297
1 year to 2 years	<b>108,460</b>	106,147
2 years to 3 years	<b>69,800</b>	42,987
Over 3 years	<b>16,919</b>	3,726
	<b><u>383,691</u></b>	<b><u>688,442</u></b>

(b) As at 30 June 2020, notes payable of RMB50,000,000 (31 December 2019: RMB50,000,000) were secured by the Group's trade receivables and contract assets of totalling RMB41,021,000 (31 December 2019: RMB56,607,000), and certain real estate properties of controlling shareholders and guaranteed by controlling shareholders (31 December 2019: same).

## 11. BORROWINGS

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Bank borrowings — secured	<b>337,222</b>	401,928
Other borrowings — secured	<b>—</b>	15,230
	<b><u>337,222</u></b>	<b><u>417,158</u></b>

As at 30 June 2020 and 31 December 2019, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rate of bank borrowings as at 30 June 2020 was 5.79% (31 December 2019: the weighted average effective interest rates of bank borrowings and other borrowings were 5.67% and 9.55% respectively) per annum.

As at 30 June 2020, secured borrowings were secured by the Group's trade receivables and contract assets of totalling RMB416,180,000 (31 December 2019: RMB420,905,000), pledged by term deposits of totalling RMB15,000,000 (31 December 2019: nil), certain real estate properties of controlling shareholders and guaranteed by controlling shareholders (31 December 2019: same).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

The first half of 2020 is a period full of challenges and changes. Pressured by the on-going Sino-U.S. trade war, the PRC economic growth has slowed down particularly in the first half of 2020, the Coronavirus (COVID-19) epidemic had caused a major impact on the business and operations of the Group and the building decoration industry.

On the other hand, despite facing a serious challenge, the PRC economy still has substantial growth potential. While the building decoration industry has encountered its development bottleneck, there are still firm and strong market demands on which the industrial development relies on. There is still room for growth, with opportunities and challenges co-exist. The building decoration industry is shifting from a high-speed growth stage to a quality development stage.

### **BUSINESS REVIEW**

The Group provides professional and comprehensive building decorative services for public and private clients (including state-owned enterprises, government departments and institutions, listed companies, foreign-funded enterprises, property developers and property management companies), mainly covering four areas (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works. The Group's projects cover a wide range of buildings and properties, including commercial buildings, office buildings, industrial buildings, residential buildings, public buildings and infrastructure as well as hotels.

With over 20 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licenses in the building decoration industry.

Looking back in the first half of 2020, the Group had outstanding performances in brand-building and business operation, and was awarded Hainan Building Decoration Award and Jinan Building Decoration "Quancheng Cup" Award. The Group was awarded by the government as "The Contract-Abiding and creditworthy enterprise in Guangdong Province for 16 consecutive years".

The Group has established a wide operations network. As at 30 June 2020, there were 21 branches and offices in 15 provinces, autonomous regions and municipalities in the PRC.

In the first half of 2020, the Group has signed 61 new contracts with a value of more than RMB1 million each and 6 contracts with a value of more than RMB10 million each.

During Reporting Period, the Group carried out 314 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB2.6 billion, including 57 projects with a contract value of more than RMB10 million each and 6 projects with a contract value of more than RMB50 million each.

## **FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES**

Striving to become a global leading supplier of integrated service for green decoration, the Group will be committed to its core business, especially in the subdivision and regional markets, and integrate them to enhance our performance in the second half of 2020. The Group believes that the following strategies will help further enhance its competitiveness and business achievements:

### ***1. Focus on market segment and regional development***

The Group will focus on the support and development of the business segments in medical healthcare and hotel categories and continue to reinforce and highlight our advantages in these segments. We will focus on the development in Great Bay Area, establishing Great Bay Area business departments, placing more efforts in tendering bids and bidding which is in line with our corporate development strategies in order to achieve a leading position by planning ahead. We will keep an eye on the development of Hainan free trade zone and enter the market with layout in due course.

### ***2. Optimize the project management process and promote the management quality and efficiency***

The Group will continuously optimise the project management process and improve the efficiency of the project management through business process reengineering and innovation. We will maximize the utilization of the Group's collective purchasing platform to enhance the economies of scale, in order to assure the quality of our projects.

### ***3. Strengthen the talent reserve***

The Group will strengthen the corporate culture and improve the cohesive force, communications skills, coordination skills, problem-solving skills of its team, and strive to build a “market-developing, professional, career enterprising, transformation-led, management-composite” team.

#### **4. Deepen the comprehensive governance of the Group**

The Group will continue to focus on the refined segments of maintaining and improving qualification, advancing research and development skills, maintaining and upgrading brand value, integrated development in corporate finance and corporate management with standardized approach, so as to improve our competitiveness and influence.

#### **FINANCIAL REVIEW**

The Group's revenue decreased by 78.55% from approximately RMB744.88 million for the six months ended 30 June 2019 to approximately RMB159.75 million for the the six months ended 30 June 2020. The decrease in revenue was mainly due to the continuous outbreak of COVID-19 in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces which have caused significant adverse effects on the building decoration business of the Group.

Gross profit for the six months ended 30 June 2020 amounted to approximately RMB24.72 million (six months ended 30 June 2019: RMB92.15 million), representing a gross profit margin of approximately 15.48% (six months ended 30 June 2019: 12.37%) and representing an increase in gross profit margin of 3.11 percentage points. Such increase was mainly due to the increased proportion of scattered projects and design projects as total revenue declined, which have higher gross profit margin.

Operating loss for the six months ended 30 June 2020 was approximately RMB19.76 million (six months ended 30 June 2019: operating profit of RMB67.62 million) or -12.37% (six months ended 30 June 2019: 9.08%) of revenue, representing a decrease of 129.22% in operating profit. The decrease in operating profit was mainly due to a decrease in gross profit.

Net loss for the six months ended 30 June 2020 was RMB22.79 million (six months ended 30 June 2019: net profit of RMB52.90 million) or -14.27% (six months ended 30 June 2019: 7.10%) of revenue, representing a decrease of 143.08% in net profit. The causes that turned a profit into a loss were mainly comprised of (1) the continuous outbreak of COVID-19 in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces which have caused significant adverse effects on the building decoration business of the Group; (2) due to the outbreak of COVID-19 and recent economic deterioration, after reviewing the expected credit loss and considering forward-looking information, the Company made further provision in relation to certain large projects of which the settlement or payment process have been delayed.

For the six months ended 30 June 2020, loss per share was 9.46 cents (six months ended 30 June 2019: profit per share 23.93 cents), representing a decrease of 139.53% in earnings per share.

## **Liquidity and financial resources**

As at 31 December 2019 and 30 June 2020, the Group had cash and cash equivalents of approximately RMB254.6 million and approximately RMB71.5 million, respectively.

The decrease in the Group's cash and cash equivalents is mainly due to net cash used in operating and financing activities for the six months ended 30 June 2020.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business development and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank borrowings. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

The contract assets decreased from approximately RMB985.2 million as at 31 December 2019 to approximately RMB837.3 million as at 30 June 2020, representing a decrease of 15.01%. The level of the contract assets as of a given reporting date is mainly affected by the duration between its submission of interim progress payment application and the customer's endorsement on the project progress report. Such decrease was mainly due to the fact that during the first half of 2020 we endeavored to accelerate customers' endorsement of project progress report.

Trade and other payables decreased from approximately RMB956.4 million as at 31 December 2019 to approximately RMB651.3 million as at 30 June 2020, representing a decrease of 31.90%. Such decrease was due to the fact that during the first half of 2020 the more rigorously implemented national labor law shortened up the settlement term of labor fee.

## **Charges on assets**

As at 30 June 2020, trade receivables, contract assets and term deposits of totaling RMB431.2 million was pledged as collateral for the Group's borrowings (As at 31 December 2019: trade receivables and contract assets of totaling RMB420.9 million was pledged as collateral for the Group's borrowings).

## **Capital structure**

The Company's issued share capital as at 30 June 2020 is RMB240,930,645 divided into 240,930,645 shares of RMB1.00 each, of which 62,763,000 shares of RMB1.00 each is issued H shares.

As at 30 June 2020, the Group had interest-bearing bank borrowings in the amount of approximately RMB337.2 million (31 December 2019: bank borrowings and other borrowings approximately RMB417.2 million) which are subject to repayment within 1 year.

The gearing ratio was 18% as at 30 June 2020 (31 December 2019: 11%). Such increase was mainly due to a decrease in cash and cash equivalents.

Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings plus lease liability less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

## **Material acquisition and disposals of subsidiaries or affiliated companies**

The Group has not made any acquisitions or disposals of subsidiaries during the Period under review.

## **DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

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

As at 30 June 2020, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) to be notified to the Company and the Hong Kong Stock Exchange are as follows:

<b>Director/Supervisor</b>	<b>Nature of interest</b>	<b>Number of shares of the Company</b>	<b>Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(1)</sup></b>	<b>Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup></b>
YE Yujing (葉玉敬) (Note 3)	Beneficial Owner	67,694,000 (Domestic Shares)	37.99%	28.10%
	Interest of spouse	15,504,000 (Domestic Shares)	8.70%	6.44%
YE Xiujin (葉秀近) (Note 4)	Beneficial Owner	15,504,000 (Domestic Shares)	8.70%	6.44%
	Interest of spouse	67,694,000 (Domestic Shares)	37.99%	28.10%
YE Guofeng (葉國鋒) (Note 5)	Interest in a controlled corporation	6,075,000 (Domestic Shares)	3.41%	2.52%
LI Yuanfei (黎媛菲) (Note 6)	Interest in a controlled corporation	22,580,645 (Domestic Shares)	12.67%	9.37%

*Notes:*

1. The calculation is based on the percentage of shareholdings in the Domestic Shares.
2. The calculation is based on the total number of 240,930,645 Shares in issue after the issue of 19,880,645 new Domestic Shares.
3. Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
4. Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
5. Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業 (有限合夥)) (“**Shenzhen Gong Xiang Li**”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang LI.
6. Ms. Li Yuanfei is a partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) (“**Shenzhen Qianhai Xingwang**”). Shenzhen Qianhai Xingwang is the general partner of Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心 (有限合夥)) (“**Ningbo Xingwang Yinghua**”), and Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區瀛享投資中心 (有限合夥)) (“**Ningbo Yingxiang**”), which are interested in 10,000,000 and 12,580,645 domestic shares of the Company respectively.

In light of the above, Ms. Li Yuanfei is deemed to be interested in all shares held by Ningbo Xingwang Yinghua and Ningbo Yingxiang under the SFO.

## INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Class of Shares held after the Global Offering		Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
	Nature of interest				
Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區瀛享投資中心) (有限合夥) (Note 3)	Domestic Shares	Beneficial Owner	12,580,645	7.06%	5.22%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心) (有限合夥) (Note 4)	Domestic Shares	Beneficial Owner	10,000,000	5.61%	4.15%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) (Note 3) (Note 4)	Domestic Shares	Interest in a controlled corporation	22,580,645	12.67%	9.37%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心 (有限合夥) (Note 3) (Note 4)	Domestic Shares	Interest in a controlled corporation	22,580,645	12.67%	9.37%
Xiong Mingwang (熊明旺) (Note 3) (Note 4)	Domestic Shares	Interest in a controlled corporation	22,580,645	12.67%	9.37%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業 (有限合夥)) (Note 5)	Domestic Shares	Beneficial Owner	17,000,000	9.54%	7.06%

Name of Shareholders	Class of Shares held after the Global Offering		Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
	Nature of interest				
Shenzhen Co-Win Asset Management Holding Company Limited (深圳市同創偉業資產管理股份有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Zheng Wei He (鄭偉鶴) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Huang Li (黃荔) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Ding Bao Yu (丁寶玉) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Ye Xian (葉縣)	Domestic Shares	Beneficial Owner	10,336,000	5.80%	4.29%

*Notes:*

1. The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).
2. The calculation is based on the total number of 240,930,645 Shares in issue after the issue of 19,880,645 new Domestic shares.
3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (“**Ningbo Yingxiang**”) is a limited partnership incorporated in the PRC on 10 May 2017. As at 30 June 2020, Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is

owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) (“**Shenzhen Qianhai Xingwang Investment Center**”) and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (“**Ningbo Xingwang Yinghua**”), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management as at 30 June 2020. As at 30 June 2020, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.

5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (“**South China Sea LP**”), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as at 30 June 2020, (i) Shenzhen Co-Win Jinxiu Asset Management Limited (“**Shenzhen Co-Win Jinxiu Asset**”); (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited (“**Shenzhen Co-Win Asset**”). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited (“**Shenzhen Co-Win Venture Capital**”), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業 (有限合夥)) (“**Shenzhen Co-Win Victory LP**”), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as at 30 June 2020, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

## **CHANGES IN DIRECTORS' AND SUPERVISOR'S INFORMATION**

Changes in information on Directors and Supervisor during the Reporting Period and up to the date of this announcement, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Liu Yilun resigned as an executive Director, vice president, joint company secretary and a member of the strategy committee of the Company with effect from 23 July 2020.

Ms. Ye Jiajun was appointed and approved by the shareholders at the extraordinary general meeting of the Company (the "EGM") as an executive Director and a member of the strategy committee of the Company with effect from the conclusion of the EGM dated 28 August 2020.

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

## **DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

At no time during the Period was the Company or its subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions.

Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the Reporting Period. Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the Reporting Period.

The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”).

During the Reporting Period, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 relevant of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ye Yujing currently performs these two roles. The Board believes that the performance of the roles of both chairman and chief executive officer by the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority in the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## **REVIEW OF INTERIM RESULTS OF THE GROUP**

The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cheung Wai Yeung Michael (as chairman), Ms. Zhai Xin and Mr. Lin Zhiyang. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and has no disagreement with the accounting policies adopted by the Company.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

### **Amendments to the articles of association**

On 28 August 2020, the amendments to the Articles of Association of the Company which were made in view of the changes in regulatory requirements, were approved by the shareholders of the Company among other things, at the EGM. For details, please refer to the circular of the Company dated 13 July 2020.

### **PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2020 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.aidewei.cn](http://www.aidewei.cn)) respectively and the 2020 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Guangdong Adway Construction (Group) Holdings Company Limited\***  
**Mr. Ye Yujing**  
*Chairman, Executive Director and Chief Executive Officer*

Shenzhen, the PRC, 28 August 2020

*As of the date of this announcement, the Board comprises Mr. Ye Yujing, Ms. Ye Xiujin, Mr. Ye Guofeng, Mr. Ye Niangting and Mr. Ye Jiajun, as Executive Directors; Ms. Li Yuanfei as a Non-executive Director; and Ms. Zhai Xin, Mr. Cheung Wai Yeung Michael, and Mr. Lin Zhiyang, as Independent Non-executive Directors.*

\* *For identification purpose only*