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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Year Ended 31 December		
	2020	2019	Change
Revenue	910.6	1,543.0	-41.0%
Gross Profit	151.9	246.4	-38.4%
<i>Gross Profit Margin</i>	16.7%	16.0%	0.7 p.p
Profit/(loss) for the year	-331.7	46.3	-816.5%
<i>Net Profit/(loss) Margin</i>	-36.4%	3.0%	-39.4 p.p
Basic and diluted earnings/(loss) per share <i>(RMB)</i>	-138 cents	20 cents	-790.0%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited* is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Current Period**”), together with the comparative figures for the previous year (the “**Preceding Period**”) as follows:

(a) Consolidated Income Statement

	<i>Notes</i>	Amount for the Current Period	Amount for the Preceding Period
I. Total operating revenue		910,563,337.49	1,543,038,717.64
Including: Operating income	4	910,563,337.49	1,543,038,717.64
Interest income		—	—
Premium earned		—	—
Fees and commissions income		—	—
II. Total operating cost		884,046,793.45	1,440,017,989.27
Including: Operating cost		758,687,820.28	1,296,611,277.76
Interest expenses		—	—
Fees and commissions expenses		—	—
Cash surrender amount		—	—
Net expenses of claim settlement		—	—
Net provisions for insurance contract reserves		—	—
Policy dividend expenses		—	—
Reinsurance expenses		—	—
Taxes and surcharges		3,614,981.92	3,901,051.98
Selling expenses		12,830,327.70	10,270,914.59
Administrative expenses		36,574,370.67	39,264,316.82
Research and development expenses		46,031,307.70	63,501,033.98
Finance expenses		26,307,985.18	26,469,394.14
Including: Interest expenses		25,615,997.77	27,221,364.47
Interest income		-431,608.14	-1,258,165.10
Add : Other incomes		5,107,423.15	5,770,121.31
Investment income (“-” for losses)		226,051.27	84,575.33
Including: In vestment incomes in associates and joint ventures		—	—
Revenue from derecognition of financial assets measured at amortised cost		—	—
Foreign exchange gains (or less: losses)		—	—
Net exposure hedging returns (“-” for losses)		—	—
Gain from fair-value changes (“-” for losses)		—	—
Credit impairment losses (“-” for losses)		-236,954,296.82	-109,579,671.27
Impairment on assets (“-” for losses)		-194,379,480.50	49,040,953.73
Gains on disposal of assets (“-” for losses)		—	1,500,917.59

(a) Consolidated Income Statement (Continued)

	<i>Notes</i>	Amount for the Current Period	Amount for the Preceding Period
III. Operating profit (“–” for losses)		–399,483,758.86	49,837,625.06
Add: Non-operating income		6,473,111.54	93,665.81
Less: Non-operating expenses		2,513,675.05	257,652.99
IV. Profit before tax (“–” for losses)		–395,524,322.37	49,673,637.88
Less: Income tax expenses	5	–63,776,155.54	3,369,254.97
V. Net profit (“–” for losses)		–331,748,166.83	46,304,382.91
(I) Classification of business operation		—	—
1. Net profit from continuing operations (“–” for losses)		—	—
2. Net profit from discontinued operations (“–” for losses)		—	—
(II) Classification of ownership		—	—
1. Net income attributable to minority shareholders		—	—
2. Net income attributable to parent company owners		—	—
VI. Other comprehensive income after tax		—	—
Other comprehensive income after tax attributable to parent company owners		—	—
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss		—	—
1. Changes in remeasurement on the net defined benefit liability/asset		—	—
2. Other comprehensive income cannot be transferred to profit and loss under equity method		—	—
3. Net gain on equity instruments at fair value through other comprehensive income		—	—
4. Fair value changes in enterprise ‘sown credit risk		—	—

(a) Consolidated Income Statement (Continued)

	<i>Notes</i>	Amount for the Current Period	Amount for the Preceding Period
(II) Other comprehensive income which will be reclassified subsequently to profit or loss		—	—
1. Items attributable to investees under equity method that may be reclassified to profit or loss		—	—
2. Gains from changes in fair values (less losses) on other debt investment		—	—
3. The amount of financial assets reclassified into other comprehensive income		—	—
4. Other debt investment credit impairment provision		—	—
5. Profit or loss on cash flow hedging		—	—
6. Translation difference of financial statements in foreign currencies		—	—
7. Others		—	—
Other comprehensive income after tax attributable to minority shareholders		—	—
VII. Total comprehensive income (loss)		-331,748,166.83	46,304,382.91
Total comprehensive income attributed to parent company owners		—	—
Total comprehensive income attributable to minority shareholders		—	—
VIII. Earnings/loss per share	6	—	—
(I). Basic earnings/loss per share (<i>RMB/share</i>)		-1.38	0.20
(II). Diluted earnings/loss per share (<i>RMB/share</i>)		-1.38	0.20

(b) Consolidated Balance Sheet

Assets	<i>Notes</i>	Closing balance	Opening balance
Current assets			
Monetary capital	12	159,515,439.36	266,920,632.63
Settlement reserve		—	—
Due from banks and other financial institutions		—	—
Trading financial assets		—	—
Derivative assets		—	—
Notes receivables		22,755,118.74	20,549,952.88
Accounts receivables	9	607,775,832.17	1,234,453,872.65
Receivables financing		—	—
Prepayment	10	208,152,663.59	97,735,717.99
Premium receivables		—	—
Reinsurance premium receivables		—	—
Reserves for reinsurance contract receivables		—	—
Other receivables		24,012,973.96	50,929,790.49
Securities purchased under agreement to resell		—	—
Inventories		—	1,684,387.00
Contract assets	11	962,499,032.68	1,001,192,865.76
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		<u>1,984,711,060.50</u>	<u>2,673,467,219.40</u>

(b) Consolidated Balance Sheet

Assets	<i>Notes</i>	Closing balance	Opening balance
Non-current assets:			
Loans and advances		—	—
Debt investment		—	—
Other debt investment		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity investments		—	—
Other non-current financial assets		—	—
Investment property		645,450.65	688,902.05
Fixed assets		54,495,287.80	58,352,338.58
Construction in progress		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right of use assets		1,509,667.71	1,962,221.00
Intangible assets		9,112,081.29	11,140,073.64
Development expenditure		—	—
Good will		—	—
Long-term expenses to be amortised		—	—
Deferred income tax assets		100,327,045.56	35,945,453.86
Other non-current assets		1,952,628.77	2,961,601.00
Total non-current assets		168,042,161.78	111,050,590.13
Total assets		2,152,753,222.28	2,784,517,809.53

(b) Consolidated Balance Sheet (Continued)

Total liabilities and owners' equity	<i>Notes</i>	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	15	364,250,000.00	401,928,000.00
Borrowing from central bank		—	—
Placement from banks and other financial institutions		—	—
Trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payables		55,000,000.00	103,500,000.00
Accounts payable	14	512,328,088.59	688,442,191.77
Advanced received		—	—
Contract liability		123,622,941.35	113,118,348.52
Securities sold under agreement to repurchase		—	—
Deposit and placements from other financial institutions		—	—
Securities brokering		—	—
Securities underwriting		—	—
Staff remuneration payable		8,561,963.77	10,590,203.87
Tax payable		96,973,349.96	152,140,933.00
Other payable		13,743,687.75	13,121,804.72
Fees and commissions payable		—	—
Reinsurance amount payable		—	—
Liabilities held for sale		—	—
Non-current liabilities due within in one year		—	15,229,807.21
Other current liabilities		25,110,653.30	4,555,097.76
Total current liabilities		<u>1,199,590,684.72</u>	<u>1,502,626,386.85</u>

(b) Consolidated Balance Sheet (Continued)

Total liabilities and owners' equity	<i>Notes</i>	Closing balance	Opening balance
Non-current liabilities:			
Reserve insurance contract		—	—
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Lease liabilities		1,477,088.01	1,973,318.00
Long-term payables		—	—
Long-term employee benefits payable		—	—
Estimate liabilities		—	—
Deferred income		1,556,925.51	1,629,340.71
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		<u>3,034,013.52</u>	<u>3,602,658.71</u>
Total liabilities		<u>1,202,624,698.24</u>	<u>1,506,229,045.56</u>
Owners' equity:			
Paid-in-capital (share capital)	13	240,930,645.00	240,930,645.00
Other equity instruments		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Capital reserve		323,069,734.88	323,069,734.88
Less: Treasury stock		—	—
Other comprehensive income		—	—
Specialised reserve		28,479,818.00	24,891,891.10
Surplus reserve		80,126,247.00	80,126,247.00
General risk reserve		—	—
Undistributed profit		277,522,079.16	609,270,245.99
Equity attributable to parent company		950,128,524.04	1,278,288,763.97
Minority interest		—	—
Total owners' equity		<u>950,128,524.04</u>	<u>1,278,288,763.97</u>
Total liabilities and owners' equity		<u>2,152,753,222.28</u>	<u>2,784,517,809.53</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) was established under the name of Guangdong Yahe Decoration Construction Company Limited (廣東雅和裝飾工程有限公司) in the People’s Republic of China (the “**PRC**”) on 18 December 1996.

On 3 December 2007, upon the resolution of the meeting of the shareholders, the Company was converted into a joint stock company with limited liability. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016.

The principal activities of the Company are provision of interior and exterior building decoration and design services.

The registered capital of the Company was RMB240,930,645.

As of 31 December 2020, the paid-up capital of the Company accumulated to RMB240,930,645.

Actual controllers: Mr. Ye Yujing (“**Mr. Ye**”) and Ms. Ye Xiujin (“**Ms. Ye**”), the wife of Mr. Ye.

Unified social credit code: 91440300617421139M.

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

Scope of consolidated financial statements

As of 31 December 2020, the significant subsidiaries in the company scope of consolidated financial statements are as follows:

Name of the companies

Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Hudong Yip’s Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Constructional Engineering Design (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation of basis

The financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as “CAS”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

(2) Going concern

For at least 12 months since the end of the reporting period, the Company’s has ability to continue as a going concern and there’s no significant risk affecting its ability to continue as a going concern.

The financial statements are based on going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

(I) Statement of compliance of accounting standards for business enterprise

The financial statements have been prepared by the Group in conformity with the China Accounting Standards for Business Enterprises issued by the Ministry of Finance, and present truly and completely the Group’s financial position, operating results and cash flow and other related information in there reporting period.

(II) Accounting period

The accounting period of the is from 1 January to 31 December of each calendar year.

(III) Operating Cycle

The Group’s operating cycle is 12 months.

(IV) Reporting currency

The reporting currency of the Company is Renminbi (“RMB”)

(V) Accounting treatment of business combinations under common control and not under common control

Business combinations under common control: The assets and liabilities acquired by acquirer through business combination shall be measured at the carrying value of the assets, liabilities (including goodwill arising from the acquisition of the acquiree by controlling party) of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquirer in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. Each of the identifiable assets, liabilities and contingent liabilities of the acquiree, which are acquired in the combination and meet the criteria for recognition, shall be measured at fair value on the date of acquisition.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

(VI) Preparation of consolidated financial statements

— *Scope of consolidation*

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries. Control refers to the power of a company over the investee, the rights to entitle variable returns from its involvement in relevant activities of the investee, and the ability to use its power over the investee to affect the amount of its returns.

4. OPERATING REVENUE AND OPERATING COST

(1) Details of Operating revenue and operating cost

	Amount for the Current period		Amount for the Preceding period	
	Revenue	Cost	Revenue	Cost
Primary business	910,120,786.98	758,638,208.26	1,542,807,098.66	1,296,567,826.36
Other business	442,550.51	49,612.02	231,618.98	43,451.40
Total	<u>910,563,337.49</u>	<u>758,687,820.28</u>	<u>1,543,038,717.64</u>	<u>1,296,611,277.76</u>

Details of operating revenue from primary business:

	Amount for the Current period	Amount for the Preceding period
Revenue from construction contracts	881,676,822.00	1,497,149,566.98
Sales of goods	15,037,671.92	19,123,023.50
Design and other income	8,095,439.19	24,181,626.86
IT system maintenance service	<u>5,310,853.87</u>	<u>2,352,881.32</u>
Total	<u>910,120,786.98</u>	<u>1,542,807,098.66</u>

5. INCOME TAX EXPENSE

	Amount for the Current period	Amount for the Preceding period
Current income tax expense	605,436.16	12,338,665.97
Deferred income tax	<u>-64,381,591.70</u>	<u>-8,969,411.00</u>
Total	<u><u>-63,776,155.54</u></u>	<u><u>3,369,254.97</u></u>

(1) Companies subject to different income tax rates are disclosed as follows:

Name of the companies	Income tax rate
Jingdi Industrial (Shenzhen) Company Limited	25%
Adway Constructional Engineering Design (Shenzhen) Company Limited	25%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	25%
Hudong Yip's Development Company Limited	25%
Adway Construction (Hong Kong) Limited	16.5%

(2) Tax Preference

Pursuant to the relevant requirements of the Administrative Measures for Determination of High and New Technology Enterprise (Guo Ke Fa Huo [2008] No. 172) and the Administrative Guidelines for Determination of High and New Technology Enterprise (Guo Ke Fa Huo [2008] No. 362), Science and Technology Department of Guangdong Province, Finance Department of Guangdong Province, Guangdong Provincial Office of State Administration of Taxation and Guangdong Provincial Local Taxation Bureau granted the Company the High and New Technology Enterprise and its High and New Technology Enterprise Certificate which was issued on 9 December 2019 with certificate number GR201944206234. The applicable income tax rate is 15% for the years from 2019 to 2021.

6. EARNINGS/LOSS PER SHARE

Basic earnings per share is calculated by dividing the consolidated net profit/(loss) attributable to the common shareholders of the parent company by the weighted average number of

	Amount for the Current period	Amount for the Preceding period
Consolidated net profit/(loss) attributable to common shareholders of the parent company	-331,748,166.83	46,304,380.88
Weighted average number of common shares issued by the company	240,930,645.00	229,383,530.64
Basic earnings/loss per share	-1.38	0.20
including: Basic earnings/loss per share of continuing operation	-1.38	0.20
Basic earnings/loss per share of discontinuing operation	<u>—</u>	<u>—</u>

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2020. Diluted earnings/loss per share for the year ended 31 December 2020 are the same as the basic earnings/loss per share (2019: same).

7. DIVIDENDS

The board of directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2020 (2019: nil).

8. LEASES

(1) Company as a Lessee

	Current period	Preceding period
Interest expense on lease liabilities	115,183.61	120,443.00
Simplified short term lease expense included in current profit and loss	—	—
Simplified lease expenses of low value assets (excluding short-term lease expenses of low value assets) included in the current profit and loss	—	—
Variable lease payments not included in lease liabilities	—	—
Inc: Relevant profit and loss arising from leaseback transactions	—	—
Income from sublease of right of use assets	—	—
Total cash outflow related to lease	<u>753,909.97</u>	<u>406,969.00</u>

(2) Company as a Lessor

	Current period	Preceding period
Operating lease income	322,095.18	231,618.98
Including: In come related to variable lease payments not included in lease receipts	—	—
	<u>—</u>	<u>—</u>

9. ACCOUNT RECEIVABLES

(1) Ageing analysis of trade receivables based on revenue recognition date is as follows:

Aging	Closing balance	Closing balance at preceding year
Within 1 year	176,899,528.99	983,075,763.93
1–2 years	459,858,633.84	135,614,131.81
2–3 years	119,163,232.17	99,532,461.62
3–4 years	82,756,222.44	72,043,383.66
4–5 years	64,389,529.08	17,204,776.43
Over 5 years	105,888,233.89	97,378,976.86
Subtotal	<u>1,008,955,380.41</u>	<u>1,404,849,494.31</u>
Less: bad debt provision	<u>401,179,548.24</u>	<u>170,395,621.66</u>
Total	<u><u>607,775,832.17</u></u>	<u><u>1,234,453,872.65</u></u>

(2) Accounts receivable shown by classification of bad debt provisions

type	Closing Balance				Carrying amount	Closing balance at preceding year				Carrying amount
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable accruing bad debt provision in individual portfolio	245,281,670.45	24.31	245,281,670.45	100.00	—	111,129,145.86	7.91	111,129,145.86	100.00	—
Of which:										
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	763,673,709.96	75.69	155,897,877.79	20.41	607,775,832.17	1,293,720,348.45	92.09	59,266,475.80	4.58	1,234,453,872.65
Of which:										
The portfolio of aging										
Related parties in consolation	<u>763,673,709.96</u>		<u>155,897,877.79</u>		<u>607,775,832.17</u>	<u>1,293,720,348.45</u>		<u>59,266,475.80</u>		<u>1,234,453,872.65</u>
Total	<u><u>1,008,955,380.41</u></u>	<u><u>100.00</u></u>	<u><u>401,179,548.24</u></u>		<u><u>607,775,832.17</u></u>	<u><u>1,404,849,494.31</u></u>	<u><u>100.00</u></u>	<u><u>170,395,621.66</u></u>		<u><u>1,234,453,872.65</u></u>

(3) Provision, transfer and recovery of bad debts in the period

Type	Closing balance at preceding year	Changes in current period			Closing balance
		Provision for bad debt incurred in current period	Reversed or recovered	Resale or Written off	
Provision for bad debts by single item	111,129,145.86	134,152,524.59	—	—	245,281,670.45
Provision for bad debts by portfolio	59,266,475.80	96,631,401.99	—	—	155,897,877.79
Total	170,395,621.66	230,783,926.58	—	—	401,179,548.24

10. PREPAYMENTS

Aging	Closing balance		Closing balance at preceding year	
	Amount	(%)	Amount	(%)
Within 1 year	169,321,365.01	81.35	91,199,615.94	93.31
1–2 years	35,161,469.26	16.89	6,536,102.05	6.69
2–3 years	3,669,829.32	1.76	—	—
Over 3 years	—	—	—	—
Total	208,152,663.59	100	97,735,717.99	100.00

11. CONTRACT ASSETS

(1) Details of Contract assets

	Carrying amount	Closing balance		Closing balance at preceding year		
		Provision for impairment	Carrying Value	Carrying amount	Provision for impairment	Carrying value
Property under development	1,197,784,405.31	238,596,784.74	959,187,620.57	1,029,997,819.38	44,785,349.62	985,212,469.76
Quality assurance deposit of which warranty period exceeding one year	3,485,696.96	174,284.85	3,311,412.11	15,980,396.00	—	15,980,396.00
Total	1,201,270,102.27	238,771,069.59	962,499,032.68	1,045,978,215.38	44,785,349.62	1,001,192,865.76

(2) contract assets classified by classification of bad debt provisions

Type	Carrying amount		Closing balance				Carrying amount		Closing balance at preceding year			
	Amount	(<i>%)</i>	Provision for impairment		Carrying value	Amount	(<i>%)</i>	Provision for impairment		RMB	(<i>%)</i>	Carrying value
			Amount	(<i>%)</i>				Amount	(<i>%)</i>			
Provision for bad debts by single item	33,593,602.89	2.80	33,593,602.89	100.00	—	44,785,349.62	4.28	44,785,349.62	100.00	—	—	
Provision for bad debts by portfolio	33,593,602.89	—	33,593,602.89	—	—	44,785,349.62	—	44,785,349.62	—	—	—	
Including:												
Provision for bad debts by aging portfolio	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68	1,001,192,865.76	95.72	—	—	—	1,001,192,865.76	
Total	1,201,270,102.27	100.00	238,771,069.59	—	962,499,032.68	1,045,978,215.38	100.00	44,785,349.62	—	—	1,001,192,865.76	

(3) Details of accrued bad debt provision

	Carrying balance at preceding year	Accrued in current period	Reversal in current period	resale/ Written-off in current period	closing balance
Provision for bad debts by single item	44,785,349.62	-11,191,746.73	—	—	33,593,602.89
Provision for bad debts by portfolio	—	205,177,466.70	—	—	205,177,466.70
Total	44,785,349.62	193,985,719.97	—	—	238,771,069.59

12. MONETARY CAPITAL

	Closing balance	Closing balance at preceding year
Cash	27,095.90	18,288.90
Cash in bank	110,573,669.42	254,572,254.44
Other monetary funds	48,914,674.04	12,330,089.29
Total	159,515,439.36	266,920,632.63
Including: total amount deposited abroad	26,865.14	30,761.53

13. SHARE CAPITAL

	Closing balance at preceding year	Changes during the period (increase (+), decrease (-))				Sub-total	Closing balance
		Issuance of new shares	Bonus shares	Conversion of the accumulation funds into shares	Other		
Total shares	240,930,645	—	—	—	—	—	240,930,645

14. ACCOUNT PAYABLES

(1) List of accounts payable

	Closing balance	Closing balance at preceding year
Payment for goods	355,860,805.86	422,162,979.46
Payment for subcontract	146,358,255.00	254,843,654.33
Other	10,109,027.73	11,435,557.98
total	512,328,088.59	688,442,191.77

(2) Significant account payables aged over 1 year

Project	Closing balance	Reason for outstanding
Shenzhen Gongle Jiancai Co., Ltd	9,022,404.31	Within the settlement period
Shenzhen Shenhua Cable Co., Ltd	22,816,315.87	Within the settlement period
Shenzhen Zhongfu Construction Service Co., Ltd	62,448,947.92	Within the settlement period
Shenzhen Hongjinyuan Construction Labor Co., Ltd	18,663,915.90	Within the settlement period
Shenzhen Guangjin Construction Labor Co., Ltd	6,829,860.40	Within the settlement period
Total	25,493,776.30	

15. SHORT TERM BORROWINGS

	Closing balance	Closing balance at preceding year
Borrowings — secured pledged and guaranteed	70,000,000.00	98,000,000.00
Borrowings — secured and guaranteed	250,000,000.00	268,928,000.00
Borrowings — secured	14,250,000.00	—
Guaranteed borrowings	<u>30,000,000.00</u>	<u>35,000,000.00</u>
Total	<u><u>364,250,000.00</u></u>	<u><u>401,928,000.00</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2020 is a year full of challenges and changes. Pressured by the on-going Sino-U.S. trade war, the PRC economic growth has slowed down particularly in 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 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.

Two Iconic boutique projects of the Group, namely "Fine decoration of Segment 1, 2nd phase of Atlantis Hotel Project, Haitang Bay, Sanya" and "Curtain wall (exterior wall) No. 7 engineering of Guangxia Julong Square Project" were awarded National Construction Engineering and Decoration 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 31 December 2020, there are 21 branches and offices in 16 provinces, autonomous regions and municipalities in the PRC.

During the year 2020, the Group has signed 154 new contracts with a value of more than RMB1 million each, 26 contracts with a value of more than RMB10 million each and 3 contracts with a value of more than 50 million each.

During the year 2020, the Group carried out 450 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.161 billion, including 93 projects with a contract value of more than RMB10 million each and 10 projects with a contract value of more than RMB50 million each.

Since 2013, the Company has been awarded the certificate of “High and New-Technology Enterprise (高新技術企業)” (“HNTTE”) by relevant PRC governmental authorities and has been enjoying a preferential Enterprise Income Tax rate of 15%. The HNTTE Certificate of the Company has been renewed in 2019, which is valid for three years from 2019 to 2021.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no significant investments, or acquisitions and disposals of subsidiaries during the year 2020.

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to become a global leading supplier of integrated service for green decoration, the Group is committed to its core business, especially in the subdivision and regional markets, and integrate them to enhance our performance in 2021. 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 Greater Bay Area, establishing Greater 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

Operating revenue and gross profit margin

The operating revenue of the Group comprised of primary business revenue and other business revenue. The operating revenue decreased by 41.0% from approximately RMB1,543.0 million for the year ended 31 December 2019 to approximately RMB910.6 million for the year ended 31 December 2020.

The Group’s primary business revenue decreased by 41.0% from approximately RMB1,542.8 million for the year ended 31 December 2019 to approximately RMB910.1 million for the year ended 31 December 2020. The decrease in primary business revenue was mainly due to the continuous outbreak of COVID-19 in 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.

The Group’s gross profit decreased by 38.4% from approximately RMB246.4 million for the year ended 31 December 2019 to approximately RMB151.9 million for the year ended 31 December 2020. The gross profit margin increased from 16.0% for the year ended 31 December 2019 to 16.7% for the year ended 31 December 2020.

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.

Profit (loss) for the year

Net loss for the year ended 31 December 2020 was RMB331.7 million (the year ended 31 December 2019: net profit of RMB46.3 million*) or -36.4% (the year end 31 December 2019: 3%) of operating revenue, representing a decrease of 816.5% in net profit. Such turning into loss was mainly attributable to (1) the continuous outbreak of COVID-19 in 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, the delay in customers' project settlement and clearing payment flow resulted in an increase in the aging of the Group's receivables. (3) With respect to the proposed A share offering, the Company, in preparing its annual report for 2020, took reference to the accrual method on impairment provision on the the portfolio of aging applied by A-listed companies in the same industry, then significantly increased the percentage for making the provision for impairment. This caused the substantial increase in the impairment loss recognized in financial statements for the year of 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020 and 2019, the Group had monetary capital (cash and cash equivalents and restricted cash) of approximately RMB159.5 million and approximately RMB266.9 million, respectively. The decrease in the monetary capital is primarily due to the reduced in bank borrowings for the year ended 31 December 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.

1. Account receivables and contract assets

The account receivables decreased significantly from approximately RMB1,234.5 million as at 31 December 2019 to approximately RMB607.8 million as at 31 December 2020. The account receivables are the amounts due from customers in the ordinary course of business. The decrease is primarily due to the bad debt provision accrued in year of 2020. Specifically, with respect to the proposed A share offering, in preparing its annual report for 2020, took reference to the accrual method of impairment provision on the the portfolio of aging applied by A-listed companies in the same industry, then significantly increased the percentage for making the provision for impairment. This caused the substantial increase in the impairment loss recognized in the financial statements for the year of 2020.

* presented in accordance with the adjustment for difference in the conversion of accounting standards on the first application date. Please refer to page 29 of this announcement for details.

The aforementioned account receivables refer to the net account receivable after netting off the bad debt provision. Please refer to note 9 of the consolidated financial statements in this announcement for details.

The contract assets decreased from approximately RMB1,001.2 million as at 31 December 2019 to approximately RMB962.5 million as at 31 December 2020. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such decrease was mainly due to the fact that we endeavored to accelerate customers' endorsement of project progress report recently.

2. Account payables and note payables

Account payables decreased from approximately RMB688.4 million as at 31 December 2019 to approximately RMB512.3 million as at 31 December 2020. Such decrease was mainly due to the fact that while the revenue was decreasing, the material procurement and labor cost reduced accordingly. Note payables decreased from approximately RM103.5 million as at 31 December 2019 to approximately RMB 55.0 million as at 31 December 2020. As at 31 December 2020, notes payables of RMB55.0 million were secured by the Group's account receivables of totalling RMB50.3 million (2019: 56.6 million) and guaranteed by certain related parties.

3. Short term borrowings

As at 31 December 2020, the Group had short term borrowings amounting to approximately RMB364.3 million (2019: approximately RMB401.9 million) which are the interest-bearing bank borrowings and repayable within 1 year. As of 31 December 2020, the Group did not have any inter-company borrowings. As at 31 December 2020, short term borrowings were pledged by the Group's account receivables of RMB141.3 million (2019: RMB420.9), by its time deposit of RMB15.0 million, and guaranteed by certain related parties.

4. Gearing ratio

The gearing ratio was 21% as at 31 December 2020 while the ratio as at 31 December 2019 was 11%. The was mainly attributable to an decrease in cash and cash equivalents for the year ended 31 December 2020.

Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

5. Capital expenditure

Capital expenditures decreased from approximately RMB0.4 million for the year ended 31 December 2019 to approximately RMB0.2 million for the year ended 31 December 2020 primarily because the Group has endeavoured to control our capital expenditure.

6. Capital commitments

As at 31 December 2020, the Group had no capital commitments (2019: nil).

7. Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: nil).

8. Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

The Group currently has no hedging policy with respect to the foreign exchange risks. Therefore, the Group has not entered into any hedging

9. Acquisitions or disposal

The Group did not have any significant acquisitions or disposal of subsidiaries or affiliated companies or assets during 2020.

10. 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 year ended 31 December 2020 (year ended 31 December 2019: same).

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

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to be a global leading position of comprehensive environmental-friendly decoration service provider, the Group will focus on its core business in 2021, especially in the segment areas and regional markets, and enhance our performance from the longitudinal and lateral points of view. The Group believes that the following strategies will help further enhance its competitiveness and operating results:

1. To pay attention to segmentation of markets and focusing on regional development

The Group will focus on the support and development of the business in medical care and hotel segments, continue to reinforce and highlight our advantage in these segments. We placed our focus on the development in Guangdong-Hong Kong-Macao Greater Bay Area, and exploring the chance in winning tender bids which align with our corporate development strategies in order to layout ahead of the competitions. We will keep an eye on the development of Hainan free trade zone and planning in advance on the strategies and our market entry.

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

The Group will continue to optimize the project management process and improving the efficiency of the project management through business process re-engineering and innovative solution. We will maximize the utilization of the Group's collective purchasing platform and to enhance the economy of scale, in order to ensure the premium quality of our projects.

3. Strengthen the talent pool

The Group will strengthen the corporate culture and improve the cohesive force, communications skills, coordination skills, problem-solving skills of the team, and thrive to build a talent team branded as market-developing, professional, enterprising, transformational and comprehensive in management.

4. Deepen the comprehensive governance of the Group

The Group focuses on maintaining and improving the qualification, improving the research and development skills, maintaining and upgrading the brand value, integrated development in corporate finance and managing with standardized approach in refined segments, so as to promote our competitiveness and influential power.

OTHER INFORMATION

1. Purchases, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

2. Deed of non-competition

To ensure that competition will not exist in the future, Mr. Ye Yujing and Ms. Ye Xiujin as controlling shareholders (the “**Controlling Shareholders**”) have entered into a deed of non-competition dated 16 September 2015 with the Company (the “**Deed of non-competition**”).

Pursuant to the Deed of non-competition, the Controlling Shareholders agreed not to, and to procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, compete, either directly or indirectly, with the business of the Group, and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

The Controlling Shareholders have further irrevocably undertaken in the Deed of non-competition that, during the term of the Deed of non-competition, they (as appropriate) will not, and will also procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with the principal business and other businesses.

The foregoing restrictions are subject to the fact that the Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of non-competition.

3. Directors' Competing Interest

None of the Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the principal business and other businesses, which would require disclosure under Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

4. Compliance with the Corporate Governance Code

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. During 2020, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as described below in details. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Ye Yujing currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in 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 for 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 segregating the roles of chairman of the Board and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

5. Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the 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 year ended 31 December 2020 (the “**Reporting Period**”) and the period after the Relevant Period to the date of this announcement.

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 Reporting Period.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. For the identification of Members eligible to attend and vote at the Meeting, all H shares transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4: 30 p.m. on Monday, 7 June 2021. All transfers of Domestic Shares together with the relevant documents must be delivered to the Company's legal address at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People's Republic of China not later than 4: 30 p.m. on Monday, 7 June 2021.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aidewei.cn) and the 2020 Annual 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.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") will be held on Friday, 11 June 2021. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed with Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2020.

EVENTS DURING THE REPORTING PERIOD

Change of Executive Director, member of the strategy committee, vice president and joint company secretary

On 24 June 2020, Mr. Liu Yilun has tendered his resignation as executive Director, member of the strategy committee, vice president and joint company secretary on 24 June 2020 due to personal career development plan. On the same date, Mr. Ye Jiajun has been proposed to be appointed as an executive Director and a member of the strategy committee of the Company. On 28 August 2020, the shareholders have approved

the appointment of Mr. Ye Jiajun as an executive Director and a member of the strategy committee of the Company. For details, please refer to the announcement of the Company dated 24 June 2020 and the circular of the Company dated 13 July 2020.

EVENTS AFTER THE REPORTING PERIOD

Change of auditor and change of accounting standards

On 13 January 2021, the Company announced that PricewaterhouseCoopers has resigned as auditor of the Company. The Board resolved to adopt the recommendations of the Audit Committee for the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (“BDO”) as the new auditor of the Company with effect from 4 January 2021 to fill the temporary vacancy arising from the resignation of PricewaterhouseCoopers and BDO shall hold office until the conclusion of the next annual general meeting of the Company. On the even date the Company has proposed to change the accounting standard of the Company from Hong Kong Financial Reporting Standards to China Accounting Standards for Business Enterprises (“CASBE”). On 5 March 2021, the shareholders of the Company approved the change of accounting standard. Please refer to the announcement of the Company dated 13 January 2021 and the circular of the Company dated 18 January 2021 for more details.

ADJUSTMENT FOR DIFFERENCES IN THE CONVERSION OF HONG KONG FINANCIAL REPORTING STANDARDS TO THE CASBE ON THE FIRST APPLICATION DATE

- (1) As the changes in accounting standards will improve the efficiency and reduce the cost of disclosure, and are in the interest of the Group and the shareholders as a whole, the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports.
- (2) On the First Application Date of CASBE (1 January 2020), adjustment for differences between net profit and net assets disclosed in financial statements for the Conversion of Hong Kong Financial Reporting Standards to the CASBE for net profits and net assets in the statements is as follows:

	Year of 2019 Net profit	31 December 2019 Net assets	Jan-Jun of 2020 Net profit	30 June 2020 Net assets
In according with Hong Kong Financial Reporting Standards	70,299,000.00	1,278,288,763.97	(22,786,000.00)	1,255,503,000.00
Items and amount adjusted in accordance with the CASBE	—	—	—	—
Operating cost	(23,994,617.09)	—	(1,319,000.00)	—
In accordance with the CASBE	46,304,382.91	1,278,288,763.97	(24,105,000.00)	1,255,503,000.00

Note:

Since the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports, the enterprise that is directly engaged in the construction of the engineering projects is required to extract safety fees in accordance with CaiQi [2012] No. 16 “Administrative Measures on the Extraction and Usage of Production Safety Fees of Enterprises” and “Interpretation No. 1 of the Enterprise Accounting Standards” and the extracted safety fees shall be included in related products’ costs or profit or loss for the current period, and are reflected separately in the “4301 special reserve” under shareholders’ equity. Per the consolidated statement of change in equity disclosed in 2019 annual report issued on 24 April 2020, the net profit appropriated to safety reserve amounted to RMB24.0 million during 2019. Hence the aforementioned adjustment caused by conversion of the financial reporting standards would not affect the net asset of the Company.

- (3) Hong Kong Financial Reporting Standards did not require the Company to disclose Research and development expenses separately on the income statement as it is required by the CASBE. On the First Application Date of CASBE (1 January 2020), Research and development expenses was transferred out of Operating cost from primary business and Administrative expenses to be disclosed separately. These reclassification adjustment caused by conversion of the financial reporting standards would not affect the net asset or the net profit of the Company. The details are as below:

(RMB'000)	2019 Operating cost from primary business	2019 Research and development expenses	2019 Administrative expense
In according with Hong Kong Financial Reporting Standards	1,334,955		45,045
Items and amount adjusted in accordance with the CASBE :			
Transfer safety fee into operating Cost	23,995		
Transfer Taxes and surcharges out of operating cost	-3,900		
Transfer Research and development expenses out of operating cost	-58,482	58,482	
Transfer Non-operating expenses out of Administrative expenses			-503
Transfer financial handling fee out of Administrative expenses			-258
Transfer Research and development expenses Administrative expenses		5,019	-5,019
In accordance with the CASBE	1,296,568	63,501	39,265

AUDITOR

BDO is eligible and willing to offer itself for re-appointment as the auditor of the Company. The Board of Directors has recommended to the general meeting to re-appoint BDO as the auditors for the Company's 2020 financial statements. The resolution to re-appoint the auditor and to authorise the Board to determine its remuneration will be proposed at the 2020 annual general meeting of the Company.

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2020 have been agreed by BDO to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this announcement.

MATTERS IN RELATION TO THE CHANGE OF AUDITORS

In connection with its own resignation, PricewaterhouseCoopers highlighted certain matters relating to confirmations which they consider should be brought to the attention of the shareholders and creditors of the Company (the "Matters").

For further details of the Matters, please refer to the announcement of the Company dated 13 January 2021. For the purpose of addressing the Matters, BDO, during its annual audit work, carried out the following audit procedures (including but not limited to the Matters queried by PricewaterhouseCoopers) that are also the basis upon which BDO and the audit committee are satisfied that the Matters have been fully addressed.

1. Obtain an understanding of the Company's business flow on the project undertaking, managing, settling and collection, the relevant internal control and assessments, and based on which, implementing the risk assessment procedures to ensure the design and smooth operation of the effective internal control system
2. Re-calculate the revenue of all the projects during that year of 2020. Do the sample test on the projects with substantial amount or extraordinary nature. Validate all the projects-related materials, including but not limited to the supporting tender documents, tender confirmation letters, project contracts, cheques, bank-in slips, certificate of completion and acceptance, settlement of completion documents, etc. Check on the original paper related to raw material fee or labor fee incurred in carrying out the projects. Communicate with the Management, armed with the calculation and checking result, to verify the facts or revise the difference.

3. Carry out the certain confirmation procedures on the relevant parties in respect of the main contract clauses, the contract invoice amounts, the contract collection amounts, the progress of the project, the relevant transactions amounts; verify the contact persons information and addresses of the respondents ; monitor the whole process of the sending and receiving the confirmations.
4. Evaluate the collectability of the outstanding balances based on the status of confirmation and the balance of all the relevant current accounts, Make the sufficient allowance for doubtful accounts if the risk of uncollectability exists.

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, 30 March 2021

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

* *For identification purpose only*