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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 2017

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Year Ended 31 December		
	2017	2016	Change
Revenue	**1,672.8**	1,728.5	-3.2%
Gross Profit	**224.2**	204.8	9.5%
Gross Profit Margin	**13.4%**	11.8%	1.6%
Profit for the year	**115.8**	107.6	7.6%
Net Profit Margin	**6.9%**	6.2%	0.7%
Basic and diluted earnings per share *(RMB)*	**54.89 cents**	65.82 cents	-16.6%

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Adway Construction (Group) Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the previous year as follows:

(a) Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 December** **2017** ***RMB'000***	2016 *RMB'000*
Revenue	4	**1,672,758**	1,728,466
Cost of sales		**(1,448,589)**	(1,523,678)
Gross profit		**224,169**	204,788
Selling and marketing expenses		**(7,905)**	(4,377)
Administrative expenses		**(54,500)**	(61,200)
Other income — net		**5,361**	2,435
Operating profit		**167,125**	141,646
Finance income		**929**	1,176
Finance costs		**(30,759)**	(15,609)
Finance costs — net		**(29,830)**	(14,433)
Profit before income tax		**137,295**	127,213
Income tax expense	5	**(21,456)**	(19,609)
Profit for the year		**115,839**	107,604
Other comprehensive income		**—**	—
Total comprehensive income for the year		**115,839**	107,604
Total profit and comprehensive income attributable to:			
Owners of the Company		**115,839**	107,604
Earnings per share			
— Basic and diluted *(RMB)*	6	**54.89 cents**	65.82 cents

(b) Consolidated Statement of Financial Position

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**83,186**	79,470
Lease prepayments — land use rights		**9,932**	10,218
Investment properties		**775**	819
Intangible assets		**5,299**	—
Deferred income tax assets		**24,178**	21,682
Prepayments and other receivables		**25,578**	11,010
		148,948	123,199
Current assets			
Amounts due from customers for contract work	8	**1,255,340**	763,714
Trade receivables	9	**357,150**	252,536
Prepayments and other receivables	10	**74,435**	137,395
Restricted cash		**761**	843
Cash and cash equivalents	11	**281,750**	287,613
		1,969,436	1,442,101
Total assets		**2,118,384**	1,565,300

(b) Consolidated Statement of Financial Position (Continued)

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**211,050**	211,050
Share premium		**168,472**	168,472
Other reserves		**63,538**	55,254
Retained earnings		**457,163**	349,608
Total equity		**900,223**	784,384
LIABILITIES			
Non-current liabilities			
Deferred revenue		**1,774**	1,847
Current liabilities			
Trade and other payables	12	**438,481**	417,776
Amounts due to customers for contract work		**42,954**	39,526
Borrowings	13	**721,000**	310,000
Current income tax liabilities		**13,952**	11,767
		1,216,387	779,069
Total liabilities		**1,218,161**	780,916
Total equity and liabilities		**2,118,384**	1,565,300

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Group are principally engaged in provision of interior and exterior building decoration and design services in the PRC.

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

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") under the historical cost convention.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2017:

Amendments to HKAS 7	Statement of cash flows
Amendments to HKAS 12	Income taxes

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards, amendments to existing standards and interpretations not yet adopted

The following new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the reporting period commencing on 1 January 2017 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments and associated amendments to various other standards	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (amendment)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("**CODM**"). 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 measure 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 years ended 31 December 2017 and 2016.

As at 31 December 2017 and 2016, all of the non-current assets were located in the PRC.

4. REVENUE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue from construction contracts	**1,615,036**	1,717,533
Design and other income	**24,173**	9,203
Sales of goods	**33,549**	1,730
Total	**1,672,758**	1,728,466

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**23,952**	22,886
Deferred income tax	**(2,496)**	(3,277)
	21,456	19,609

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 15 November 2016, the Company renewed the High and New Technology Enterprise Certificate which is effective for three years commencing on 1 January 2016. The applicable EIT rate is 15% for the years from 2016 to 2018. 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% (2016: 25%) in accordance with EIT Law.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)*	**115,839**	107,604
Weighted average number of ordinary shares in issue *(thousand shares)*	**211,050**	163,491
Basic earnings per share *(RMB)*	**54.89 cents**	65.82 cents

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2017 and 2016. Diluted earnings per share are the same as the basic earnings per share.

7. DIVIDENDS

At the Board meeting held on 23 March 2018, the directors of the Company proposed a final dividend for the year ended 31 December 2017 of RMB0.03 per ordinary share, total amounting to approximately RMB6,331,500 (2016: nil), out of retained earnings of the Company. These proposed dividends have not been reflected as dividends payable in the consolidated financial statements for the year ended 31 December 2017 but will be reflected as dividends distribution for the year ending 31 December 2018. No dividend has been paid by the Company for the year ended 31 December 2017 (2016: nil).

8. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Aggregate costs incurred plus recognised profit less foreseeable losses	**2,323,876**	2,386,610
Less: progress billings	**(1,111,490)**	(1,662,422)
	1,212,386	724,188
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**1,255,340**	763,714
Amounts due to customers for contract work	**(42,954)**	(39,526)
	1,212,386	724,188

At 31 December 2017, retentions held by customers for contract work amounted to approximately RMB22,538,000 (2016: RMB41,327,000), and have been included in prepayments and other receivables. Advances received from customers for contract work not yet commenced as at 31 December 2017 amounted to approximately RMB53,111,000 (2016: RMB151,716,000), and have been included in trade and other payables.

9. TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables (a)	**379,474**	292,614
Less: provision for impairment of trade receivables	**(49,772)**	(44,809)
Trade receivables — net	**329,702**	247,805
Notes receivable	**27,448**	4,731
	357,150	252,536

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**184,068**	148,143
6 months to 1 year	**52,449**	55,635
1 year to 2 years	**82,367**	40,813
2 years to 3 years	**31,213**	18,349
Over 3 years	**29,377**	29,674
	379,474	292,614

Majority of the Group's revenues are generated through construction contracts with the credit terms of 15 days according to terms specified in the contracts governing the relevant transactions.

Due to the short credit period granted by the Group to its customers, substantially all trade receivables as at 31 December 2017 were considered past due from accounting perspective. When determining the amount of impairment of trade receivables, management first assesses whether objective evidence of impairment exists for trade receivables that are individually significant. Collective assessment for impairment would be performed on a group of trade receivables which are with similar credit risk characteristics. Trade receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

(b) The ageing analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**184,068**	148,143
6 months to 1 year	**52,449**	55,635
1 year to 2 years	**62,961**	32,910
2 years to 3 years	**5,106**	2,279
Over 3 years	**2,179**	—
	306,763	238,967

These trade receivables related to a number of independent customers for whom there is no recent history of default.

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Prepayments	**23,653**	64,723
Project reserve funds	**420**	551
Deposits	**52,731**	41,023
Retention receivables	**22,538**	41,327
Other receivables	**671**	781
	100,013	148,405
Less: non-current portion		
Prepayments for properties	**—**	(2,607)
Deposits	**(10,588)**	(3,466)
Retention receivables	**(14,990)**	(4,937)
	(25,578)	(11,010)
	74,435	137,395

11. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Denominated in RMB		
— Cash at bank	**275,197**	55,963
— Cash on hand	**30**	19
	275,227	55,982
Denominated in HKD		
— Cash at bank	**6,523**	231,631
Total	**281,750**	287,613

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables (a)	**302,061**	175,114
Advances from customers	**53,111**	151,716
Other tax payable	**57,578**	61,662
Payables for listing expenses	**1,537**	10,792
Payroll payable	**11,917**	8,272
Other payables	**12,277**	10,220
	438,481	417,776

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**271,363**	157,858
6 months to 1 year	**24,768**	1,718
1 year to 2 years	**1,762**	13,322
2 years to 3 years	**4,168**	2,216
	302,061	175,114

13. BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank borrowings — secured	**711,000**	310,000
Bank borrowings — unsecured	**10,000**	—
	721,000	310,000

As at 31 December 2017 and 2016, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rates as at 31 December 2017 was 5.32% (2016: 5.40%) per annum.

As at 31 December 2017 and 2016, bank borrowings were secured by the Group's certain property and equipment, land use rights, investment properties and certain trade receivables and guaranteed by certain related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Throughout 2017, the national construction industry's total output exceeded RMB21.3 trillion, grew by 10.5% compared to the previous year, according to the report of the National Bureau of Statistics of China, which has still maintained a favorable growth trend.

2017 was a year that China's construction industry underwent transformation. Various measures of reforms, which carry profound influences on the entire construction industry, were launched. Following with the reforms, the construction industry will embrace a fairer and more standardized market environment, which is favorable to professional and developed large-scale corporate performances for their demonstration of stronger competitiveness in the market.

The construction industry is still subject to a low level of informatization, and accordingly, launching new technologies and applying informatization tools would enhance the production efficiency of the enterprises themselves, which is in turn a direction for the enterprises to raise their competitiveness and complete their transformation and upgrading.

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 licences in the building decoration industry.

During the review, the Group showed satisfactory performances in brand-building and business commencement in 2017:

1. The Group's representative boutique project "Yitai Tianjiao*" (伊泰•天驕) was rated with the "Luban Award", which has been the highest award in the area of China's construction industry;

2. The trademark "Adway" has become a famous one in Guangdong Province, whereas the brand value of Adway has been further enhanced;

3. The Group has undertaken the fine renovation works on Atlantis Sanya, Haitang Bay, Sanya, the world's third Atlantis resort hotel, supporting tourism economy with exquisite decoration craftsmanship;

4. The Group has responded to the national call of "Belt and Road Initiatives" and made a breakthrough in the import and export trade of building materials. It has undertaken the supply of equipment and materials for the project of LABIOFAM biological pharmaceutical factories in Cuba, which has laid the foundation for the expansion into overseas construction works.

With the efforts of the Group, the scale and the business volume of the Group has ushered in new growth throughout 2017.

As of 31 December 2017, there are 25 branch offices and representative offices in 19 provinces, autonomous regions and municipalities (throughout 2017, the Group established 2 new branch offices).

During 2017, the Company has established two wholly-owned subsidiaries, namely, Adway Constructional Engineering Design (Shenzhen) Company Limited* (愛得威建築工程設計(深圳)有限公司) (the "**Adway Constructional Design**") in the PRC and Adway Construction (Hong Kong) Limited (愛得威建设(香港)有限公司) in Hong Kong.

Throughout 2017, the Group has signed 177 new contracts with a value of more than RMB1 million each, 34 contracts with a value of more than RMB10 million each, and 6 contracts with a value of more than RMB50 million each.

Throughout 2017, the Group carried out 382 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.9 billion, including 94 projects with a contract value of more than RMB10 million each and 15 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)" ("**HNTE**") by relevant PRC governmental authorities and has been enjoying a preferential EIT rate of 15%. The HNTE Certificate of the Company has been renewed on 15 November 2016, which is valid for three years from 2016 to 2018.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 3.2% from approximately RMB1,728.5 million for the year ended 31 December 2016 to approximately RMB1,672.8 million for the year ended 31 December 2017. The decrease in revenue was mainly because the change from business tax to value-added tax and a decrease in income attributed to mega-scale projects. In 2016, five projects in total were recognized to have income over RMB50 million, with total income amounting to RMB760 million; while only three projects were recognized to have income over RMB50 million in 2017, with total income amounting to RMB390 million. Even though the income from other smaller scale projects increased, it could not compensate the decrease in income recognised from mega-scale projects.

The Group's gross profit increased by 9.5% from approximately RMB204.8 million for the year ended 31 December 2016 to approximately RMB224.2 million for the year ended 31 December 2017. The gross profit margin increased to 13.4% for the year ended 31 December 2017 from 11.8% for the year ended 31 December 2016 due to the Group's enhanced cost control, the full introduction of centralized procurement and the generally higher gross profit from contracts commenced in 2017. Among the projects with top 15 income contributions, the gross profit of most of the projects ranged between 12%-13.5%, indicating an increase comparing to the overall gross profit from last year.

Other income — net

Other income mainly represents income from government grants, subsidies and reimbursements for borrowing cost.

Other income — net increased by 125% from approximately RMB2.4 million for the year ended 31 December 2016 to approximately RMB5.4 million for the year ended 31 December 2017 primarily because of increase in the government grants.

Administrative expenses

The administrative expenses decreased from approximately RMB61.2 million for the year ended 31 December 2016 to approximately RMB54.5 million for the year ended 31 December 2017 mainly because less consulting and professional fees, and no listing expenses were incurred for the year ended 31 December 2017.

Finance costs — net

Finance cost increased by 106.9% from approximately RMB14.4 million for the year ended 31 December 2016 to approximately RMB29.8 million for the year ended 31 December 2017 because of a significant increase in interest expenses along with the increase in bank borrowings from approximately RMB310.0 million for the year ended 31 December 2016 to approximately RMB721.0 million for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by 9.7% from approximately RMB19.6 million for the year ended 31 December 2016 to approximately RMB21.5 million for the year ended 31 December 2017 primarily because of an increase in the provision for tax as a result of the increased profit. The applicable income tax rate maintained at around 15% for the year ended 31 December 2016 and the year ended 31 December 2017.

Profit for the year

Profit for the year increased by 7.6% from approximately RMB107.6 million for the year ended 31 December 2016 to approximately RMB115.8 million for the year ended 31 December 2017. The net profit margin remained stable at 6.9% and 6.2% for the years ended 31 December 2017 and 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2017 and 2016, the Group had cash and cash equivalents of approximately RMB281.8 million and approximately RMB287.6 million, respectively.

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, interest-bearing bank borrowings and proceeds from placing of new H Shares. The Company has published an announcement regarding the placing of new H Shares under general mandate on 28 November 2017. The Company will issue and allot not more than 10,000,000 additional H Shares (representing not more than approximately 18.95% of the total number of H Shares of the Company as at the date of the announcement) to the placees by way of placement. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, such new H Shares on the Stock Exchange. The proposed placing is subject to all necessary approvals and consents (including the CSRC Approval) having been obtained and not being subsequently cancelled or revoked prior to completion of the proposed placing. The Company will negotiate the placement terms with appropriate placee(s) in relation to the proposed placing. As at the date of this announcement, the proposed placing has not been completed. 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. Trade receivables and amounts due from customers for contract work

The trade receivables increased from approximately RMB252.5 million as of 31 December 2016 to approximately RMB357.2 million as of 31 December 2017. The trade receivables are the amounts due from customers in the ordinary course of business. Such increase was mainly due to: (1) the two relatively larger projects commenced in 2015 with a total contract amount of RMB173 million had reached the final settlement stage this year. Since the payment term was relatively long, trade receivables increased by approximately RMB29.0 million; (2) the project commenced in the second half of 2017 amounted to approximately RMB50.0 million. Since the payment was delayed, trade receivables increased by approximately RMB17.0 million; (3) income from sales of goods in this year had significantly increased, while the corresponding receivables of approximately RMB25.0 million were not yet settled.

The amounts due from customers for contract work increased from approximately RMB763.7 million as of 31 December 2016 to approximately RMB1,255.3 million as of 31 December 2017. 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 increase was because on one hand, the projects with higher contract value signed in 2017 and commenced in late 2017 was at an early stage, while on the other hand, the projects with higher contract value brought forward from 2016 was at the final stage, and according to the normal business cycle, the billing process at the early stage and the final stage was comparatively slower. The combined effects contributed to the extension on the duration mentioned above.

2. Trade and other payables

Trade and other payables increased from approximately RMB417.8 million as of 31 December 2016 to approximately RMB438.5 million as of 31 December 2017 primarily due to an increase in the trade payables because of the practice that our management has been attempting to negotiate with suppliers for a longer settlement term. In order to better manage our working capital, we generally pay our suppliers after we receive payments from our customers. Therefore, the balance of our trade payables moved in line with the amounts due from customers for contract work which increased during 2017.

3. **Borrowings and pledged asset**

As of 31 December 2017, the Group had borrowings amounting to approximately RMB721.0 million (31 December 2016: approximately RMB310.0 million) which are interest-bearing bank borrowings and repayable within 1 year. As of 31 December 2017, the Group did not have any inter-company borrowings. For information concerning the Group's pledged asset as of 31 December 2017, please refer to note 13 of the financial information.

4. **Gearing ratio**

The gearing ratio was 33% as at 31 December 2017 while the ratio as at 31 December 2016 was 3%. The increase was mainly attributable to an increase in the bank borrowings from approximately RMB310.0 million for the year ended 31 December 2016 to approximately RMB721.0 million for the year ended 31 December 2017.

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

5. **Capital Expenditure**

Capital expenditures increased from approximately RMB0.3 million for the year ended 31 December 2016 to approximately RMB11.8 million for the year ended 31 December 2017 primarily because of the Group have made investments in social housing for talents (人才住房) and motor vehicles to satisfy the needs of the business operations during 2017.

6. **Capital Commitments**

As at 31 December 2017, the Group had no capital commitment.

7. **Contingent Liability**

As at 31 December 2017, the Group had no material contingent liabilities.

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 transactions to manage the potential fluctuation in foreign currencies.

USE OF PROCEEDS

The Company's H shares were listed and commenced trading on the Stock Exchange on 25 November 2016, with net proceeds of approximately HK$228.1 million (amounted to approximately RMB203.4 million) after deducting relevant listing expenses. As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus dated 15 November 2016. As at 31 December 2017, approximately RMB112 million have been utilized and the unutilized net proceeds as of approximately RMB91.4 million from the Global Offering are deposited in the bank accounts.

FUTURE DEVELOPMENT PROSPECT AND STRATEGIES

The Group will continue to work on business development in 2018, and the Group believes that the following strategies will help to further enhance its competitiveness and operating results:

1. **Further expand the Group's service network in the PRC and continue to expand the Group's existing business:**

   The Group expects to set up 5 branch offices nationwide within PRC in 2018, and expand the corporate service coverage as well as achieving the regional growth of business. Meanwhile, the Group will strengthen collaboration through strategic partnership to raise the service quality; the Group will capture more market share from the existing strategic partnerships to achieve sustainable growth in business.

2. **Strengthen centralized purchasing system of raw materials and reduce the costs of materials**

   The Group has already established a centralized purchasing system for the procurement of major raw materials. In the future, the Group will further increase its strategic cooperation with quality suppliers to reduce the cost of raw materials and improve the efficiency of the procurement process in order to enhance the Group's business benefits.

3. **Introduce and nurture professional talents and enhance team building**

   The Group will enhance the reserves of various professional talents of the Company through two modes, external recruitment and in-house training. Meanwhile, the Group will enhance in-house training and team building for the provision of better services in favor of business development and production operation of the Group; this will also offer better development opportunities for the talents.

4. **Strengthen its research and development and design capabilities, and improve informatization**

The Group will strengthen its research and development and design capabilities, improve the Group's informatization, and enhance the production efficiency of the Group with new technologies. The Group has commenced to launch its informatization construction program since 2017, which has achieved effective results. This has improved project management efficiency, which is of great significance to the business development of the Group. Subsequently, the Group will further foster and improve the construction works of informatization. By raising production efficiency and management efficiency, the competitiveness of the Group will be further enhanced.

OTHER INFORMATION

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

During the year ended 31 December 2017, 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 Mrs. Ye Xiujin as controlling shareholders (the "**Controlling Shareholders**") have entered into Deed of non-competition (the "**Deed of non-competition**") with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, the principal business and other businesses.

The Group entered into the Deed of non-competition with the Controlling Shareholders on 16 September 2015, under which 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 2017, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below. 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 2017 (the "**Relevant 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 Relevant Period.

FINAL DIVIDEND

The Board of the Company has proposed to distribute a final dividend of RMB0.03 (tax inclusive) per ordinary share (2016: nil) for the year ended 31 December 2017 (the "**2017 final dividend**") to all shareholders of the Company. If the proposal is approved at the 2017 Annual General Meeting, the dividend will be distributed on Friday, 3 August 2018 to the shareholders of the domestic shares and H shares whose names appear on the Register of Members of the Company on Friday, 13 July 2018. If there were any changes to the expected date of distribution, an announcement regarding the change would be published. The aforesaid proposed dividend is denominated in RMB, and will be paid to shareholders of the domestic shares and H shares in RMB and HKD respectively. Dividend paid in HKD will be translated based on the average price of the medium prices of the conversion of RMB into HK$ announced by the People's Bank of China within five working days prior to and including the date of declaration of dividend in the Company's 2017 Annual General Meeting (i.e. 8 June 2018).

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 Wednesday, 9 May 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the aforesaid annual general meeting, all transfer of shares of the Company, companied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 8 May 2018, being the business day before the first day of closure of the Register of Members.

The register of members of the Company will be closed from Monday, 9 July 2018 to Friday, 13 July 2018, both days inclusive, during which period no transfer of domestic shares and H shares will be registered. In order to qualify for the final dividend entitlements, shareholders of the Company's H shares must lodge all transfer of shares, accompanied by the relevant share certificates, with the Company's H share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 6 July 2018.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2017 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 2017 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 8 June 2018. 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 2017.

AUDITORS

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2017 have been agreed by the Company's external auditor, PricewaterhouseCoopers to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, there is no important event affecting the Group which has occurred after the reporting period.

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

Shenzhen, the PRC, 23 March 2018

As of the date of this announcement, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Mr. Tian Wen as Non-executive Director; and Mr. Wang Zhaowen, Mr. Tang Wai Man Raymond, and Mr. Lin Zhiyang, as Independent Non-executive Directors.

* *For identification purpose only*