广东爱得威建设(集团)股份有限公司

ADWAY GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

(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 2018

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Year Ended 31 December		
	2018	2017	Change
Revenue	**1,830.8**	1,672.8	9.4%
Gross Profit	**253.1**	224.2	12.9%
Gross Profit Margin	**13.8%**	13.4%	0.4%
Profit for the year	**130.7**	115.8	12.9%
Net Profit Margin	**7.1%**	6.9%	0.2%
Basic and diluted earnings per share *(RMB)*	**61.69 cents**	54.89 cents	12.4%

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 2018, together with the comparative figures for the previous year as follows:

(a) Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	4	**1,830,783**	1,672,758
Cost of sales		**(1,577,729)**	(1,448,589)
Gross profit		**253,054**	224,169
Selling and marketing expenses		**(11,624)**	(7,905)
Administrative expenses		**(41,023)**	(36,099)
Net impairment losses on financial and contract assets		**(20,126)**	(18,401)
Other income — net		**6,488**	5,361
Operating profit		**186,769**	167,125
Finance income		**2,442**	929
Finance costs		**(40,194)**	(30,759)
Finance costs — net		**(37,752)**	(29,830)
Profit before income tax		**149,017**	137,295
Income tax expense	5	**(18,304)**	(21,456)
Profit for the year		**130,713**	115,839
Other comprehensive income		**—**	—
Total comprehensive income for the year		**130,713**	115,839
Total profit and comprehensive income attributable to:			
Owners of the Company		**130,713**	115,839
Earnings per share			
— Basic and diluted *(RMB)*	6	**61.69 cents**	54.89 cents

(b) Consolidated Statement of Financial Position

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**74,427**	83,186
Lease prepayments — land use rights		**9,646**	9,932
Investment properties		**732**	775
Intangible assets		**3,545**	5,299
Deferred income tax assets		**26,976**	24,178
Other receivables	9	**20,941**	25,578
		136,267	148,948
Current assets			
Contract assets		**1,581,757**	—
Amounts due from customers for contract work	2	**—**	1,255,340
Trade receivables	8	**589,087**	357,150
Prepayments and other receivables	9	**117,113**	74,435
Restricted cash		**7,160**	761
Cash and cash equivalents	10	**180,059**	281,750
		2,475,176	1,969,436
Total assets		**2,611,443**	2,118,384

(b) Consolidated Statement of Financial Position (Continued)

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**221,050**	211,050
Share premium		**218,598**	168,472
Other reserves		**77,448**	63,538
Retained earnings		**567,634**	457,163
Total equity		**1,084,730**	900,223
LIABILITIES			
Non-current liabilities			
Deferred revenue		**1,701**	1,774
Current liabilities			
Trade and other payables	11	**903,976**	438,481
Contract liabilities		**107,856**	—
Amounts due to customers for contract work	2	**—**	42,954
Borrowings	12	**496,021**	721,000
Current income tax liabilities		**17,159**	13,952
		1,525,012	1,216,387
Total liabilities		**1,526,713**	1,218,161
Total equity and liabilities		**2,611,443**	2,118,384

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 Company issued additional 10,000,000 H shares on 30 November 2018, and the total share capital increased to RMB221,050,000.

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 is 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.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

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

(i) 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 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Amendments to HKAS 40	Transfers of investment property

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new standards, amendments to standards and interpretations have been published but are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(iii) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements.

Adoption of HKFRS 9

HKFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities, and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets.

Classification and measurement

The Group has reviewed its classification of financial assets and liabilities and has not identified any significant change on classification from the adoption of the new standard on 1 January 2018.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses associated with the probability of default. The Group's trade receivables, contract assets relating to construction contracts and other receivables are subject to new expected credit losses model under HKFRS 9. While cash and cash equivalents are also subject to the impairment requirements under HKFRS 9, the identified impairment loss was immaterial. The Group is required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group has assessed the impact of expected credit losses on trade receivables, contract assets and other receivables and concluded that the impact is insignificant as at 1 January 2018.

Adjustments were made to line item in the consolidated statement of comprehensive income for the year ended 31 December 2017 as required by HKAS 1 Presentation of Financial Statements to comply with the requirement in HKFRS 9. Impairment losses of RMB18,401,000 which were previously recognised as administrative expenses for the year ended 31 December 2017 were reclassified as impairment losses on financial and contract assets.

Adoption of HKFRS 15

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparative figures have not been restated by the Group.

HKFRS 15 replaces the provisions of HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* that relate to the recognition, classification and measurement of revenue and costs.

The Group has assessed its performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at 1 January 2018, except for the certain reclassification of assets and liabilities as disclosed below.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets for unbilled work in progress in relation to construction contracts were previously presented as amounts due from customers for contract work.

- Contract liabilities for advances from customers in relation to construction contracts were previously included in trade and other payables.

- Contract liabilities for cumulative progress billing to customers over the cumulative work in progress in relation to construction contracts were previously presented as amounts due to customers for contract work.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	**31 December 2017 As originally presented** *RMB'000*	**Reclassifications under HKFRS 15** *RMB'000*	**1 January 2018 As restated** *RMB'000*
Contract assets	—	1,255,340	1,255,340
Amounts due from customers for contract work	1,255,340	(1,255,340)	—
Contract liabilities	—	96,065	96,065
Amounts due to customers for contract work	42,954	(42,954)	—
Trade and other payables	438,481	(53,111)	385,370

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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 years ended 31 December 2018 (2017: same).

As at 31 December 2018, all of the non-current assets were located in the PRC (2017: same).

4. REVENUE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from construction contracts	**1,759,227**	1,615,036
Sales of goods	**54,690**	33,549
Design and other income	**16,866**	24,173
Total	**1,830,783**	1,672,758

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**21,102**	23,952
Deferred income tax	**(2,798)**	(2,496)
	18,304	21,456

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 income tax 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% (2017: 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 2018 and 2017.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company *(RMB'000)*	**130,713**	115,839
Weighted average number of ordinary shares in issue *(thousand shares)*	**211,899**	211,050
Basic earnings per share *(RMB)*	**61.69 cents**	54.89 cents

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2018. Diluted earnings per share for the year ended 31 December 2018 are the same as the basic earnings per share (2017: same).

7. DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of RMB0.03 per share, totaling RMB6,332,000, was approved by the shareholders at the annual general meeting on 8 June 2018 and was paid to shareholders in August 2018 (No dividend in respect of the year ended 31 December 2016 was recommended by the board of directors).

The board of directors did not recommend the payment of any final dividend in respect of the year ended 31 December 2018.

8. TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables (a)	**624,025**	379,474
Less: provision for impairment of trade receivables	**(57,000)**	(49,772)
Trade receivables — net	**567,025**	329,702
Notes receivable	**22,062**	27,448
	589,087	357,150

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**342,481**	184,068
6 months to 1 year	**76,777**	52,449
1 year to 2 years	**82,616**	82,367
2 years to 3 years	**64,806**	31,213
Over 3 years	**57,345**	29,377
	624,025	379,474

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.

(b) **Past due but not impaired**

Due to the short credit period granted by the Group to its customers, substantially all trade receivables as at 31 December 2018 were considered past due from accounting perspective. The amounts that are past due but not impaired related to certain independent customers who have strong financial ability with low credit risk, and historically and subsequently, there was rare default for these receivable. The ageing analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**342,481**	184,068
6 months to 1 year	**76,777**	52,449
1 year to 2 years	**66,688**	62,961
2 years to 3 years	**50,075**	5,106
Over 3 years	**4,179**	2,179
	540,200	306,763

9 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Prepayments	**65,389**	23,653
Deposits	**41,980**	52,731
Retention receivables	**26,676**	22,538
Other receivables	**4,009**	1,091
	138,054	100,013
Less: non-current portion		
Deposits	**(6,591)**	(10,588)
Retention receivables	**(14,350)**	(14,990)
	(20,941)	(25,578)
	117,113	74,435

10 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Denominated in RMB		
— Cash at bank	**178,593**	275,197
— Cash on hand	**18**	30
	178,611	275,227
Denominated in HKD		
— Cash at bank	**1,448**	6,523
Total	**180,059**	281,750

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables (a)	**676,356**	302,061
Notes payable	**14,000**	—
	690,356	302,061
Other tax payable	**116,347**	57,578
Deposits for share subscription to be refunded (b)	**78,000**	—
Payroll payable	**10,589**	11,917
Advances from customers *(note 2)*	**—**	53,111
Other payables	**8,684**	13,814
	903,976	438,481

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**541,037**	271,363
6 months to 1 year	**85,618**	24,768
1 year to 2 years	**45,469**	1,762
2 years to 3 years	**4,232**	4,168
	676,356	302,061

(b) Deposits for share subscription to be refunded represented the deposits from certain interested investors before the H share placing, which is not interest-bearing and will be refunded upon request.

12. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank borrowings — secured	**470,000**	711,000
Bank borrowings — unsecured	**10,000**	10,000
Other borrowings — secured	**16,021**	—
	496,021	721,000

As at 31 December 2018 and 2017, 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 2018 was 5.95% (2017: 5.32%) per annum.

As at 31 December 2018, bank borrowings were secured by the Group's trade receivables and contract assets of totaling RMB400,697,000 and guaranteed by certain related parties (As at 31 December 2017, bank borrowings were secured by the Group's buildings of RMB16,882,000, land use rights of RMB9,932,000, trade receivables of RMB75,706,000, and guaranteed by certain related parties).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Throughout 2018, the national construction industry's total output exceeded RMB23.5 trillion, grew by 9.9% 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.

In 2018, the reform of China's construction industry keeps advancing. The regulatory authorities have continued the previous policy direction for the construction industry, and have set multiple policies in strengthening the construction market supervision, optimizing the business environment, promoting the integrity system, simplifying enterprise qualification management and improving the market access system.

Overall, in 2018, the construction industry is growing stably and in a relatively fast pace; and there was no substantial change in the big picture of the building decoration industry, which the situation remains as "Big industry, Small enterprises". Hence, the leading enterprises in the building decoration industry still have large growing potential and opportunity in the market.

BUSINESS REVIEW

The Group provides professional and comprehensive building decoration 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 top qualifications and licences in the building decoration industry.

Looking back in 2018, the Group showed satisfactory performances in brand-building and business commencement:

1. Three representative boutique projects of the Group, namely "Construction and curtain wall engineering of Jindi Century Building (金迪世紀大廈建築幕牆工程)", "Interior design and decoration of Radisson Hotel in Lianfa Peninsula (聯發半島麗笙酒店室內精裝修工程)" and "Building and decoration of Ningxia International Conference Center (the second) 寧夏國際會議中心內裝修工程項目(二標段)", were awarded National Construction Engineering and Decoration Award (中國建築工程裝飾獎)";

2. The Group have obtained three new qualifications: Grade III General Contractor of Municipal Engineering (市政公用工程施工總承包三級), Grade III General Contractor of Construction Engineering (建築工程施工總承包三級) and Grade I Contractor of Cleaning project (潔淨工程壹級);

3. The Group have been awarded two grand prizes including "Self-dependent, Innovative and Leading Enterprise (自主創新領航企業)" and "Fulfilling Social Responsibility — Outstanding Enterprise (履行社會責任傑出企業)", as well as being rated "The 16th Shenzhen Enterprise Innovation Record (第十六屆深圳企業創新紀錄)" in numerous aspects.

As of 31 December 2018, there are 21 branch offices and representative offices in 19 provinces, autonomous regions and municipalities.

Throughout 2018, the Group has signed 200 new contracts with a value of more than RMB1 million each, 43 contracts with a value of more than RMB10 million each, and 3 contracts with a value of more than RMB50 million each.

Throughout 2018, the Group carried out 471 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.7 billion, including 107 projects with a contract value of more than RMB10 million each and 13 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)" by relevant PRC governmental authorities and has been enjoying a preferential EIT rate of 15%. The "High and New-Technology Enterprise" 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 increased by 9.4% from approximately RMB1,672.8 million for the year ended 31 December 2017 to approximately RMB1,830.8 million for the year ended 31 December 2018. The increase in the revenue was primarily due to the increase of the number of higher-valued projects (each with a contract value of more than RMB10 million) carried out by the Group, from 94 for 2017 to 107 for 2018.

The Group's gross profit increased by 12.9% from approximately RMB224.2 million for the year ended 31 December 2017 to approximately RMB253.1 million for the year ended 31 December 2018. The gross profit margin increased to 13.8% for the year ended 31 December 2018 from 13.4% for the year ended 31 December 2017. Such increase was mainly due to the generally higher gross profit margin from contracts commenced in 2018.

Profit for the year

Profit for the year increased by 12.9% from approximately RMB115.8 million for the year ended 31 December 2017 to approximately RMB130.7 million for the year ended 31 December 2018. The net profit margin remained stable at 7.1% and 6.9% for the years ended 31 December 2018 and 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2018 and 2017, the Group had cash and cash equivalents of approximately RMB180.1 million and approximately RMB281.8 million, respectively. The decrease in the Group's cash and cash equivalents was primarily due to the repayments of bank borrowings during the year ended 31 December 2018.

The Group monitors the cash flows and cash balance on a regular basis and seeks to maintain an 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. **Trade receivables and contract assets**

The trade receivables increased from approximately RMB357.2 million as of 31 December 2017 to approximately RMB589.1 million as of 31 December 2018. The trade receivables are the amounts due from customers in the ordinary course of business. Such increase was mainly due to (1) a series of large projects commenced in previous years had reached the final settlement stage this year; (2) the new projects commenced in the second half of 2018 were also under negotiation with client and payment process

The contract assets increased from approximately RMB1,255.3 million as of 31 December 2017 to approximately RMB1,581.8 million as of 31 December 2018 (previously presented as "Amounts due from customers for contract work"; now presented as "Contract assets"). The level of the contract assets at a designated 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 mainly due to the commencement of several projects with higher contract value (each with total contract value of exceeding RMB50 million) for the year ended 31 December 2018.

2. **Trade and other payables**

Trade and other payables increased from approximately RMB438.5 million as of 31 December 2017 to approximately RMB904.0 million as of 31 December 2018 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 payables moved in line with the contract assets which increased during 2018.

3. **Borrowings**

As of 31 December 2018, the Group had borrowings amounting to approximately RMB496.0 million (31 December 2017: approximately RMB721.0 million) which are mainly interest-bearing bank borrowings and repayable within 1 year. As of 31 December 2018, the Group did not have any inter-company borrowings. As at 31 December 2018, bank borrowings were secured by the Group's trade receivables and contract assets of totally RMB400.7 million and guaranteed by certain related parties.

4. **Gearing ratio**

The gearing ratio was 23% as at 31 December 2018 while the ratio as at 31 December 2017 was 33%. The decrease was mainly attributable to a decrease in bank borrowing for the year ended 31 December 2018.

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 decreased from approximately RMB11.8 million for the year ended 31 December 2017 to approximately RMB4.8 million for the year ended 31 December 2018 primarily because during 2018 the Group did not make the similar investment in social housing for talents as it did in 2017.

6. **Capital Commitments**

As at 31 December 2018, the Group had no capital commitment.

7. **Contingent Liability**

As at 31 December 2018, 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 2018, approximately RMB182.2 million have been utilized and the unutilized net proceeds as of approximately RMB21.2 million from the global offering are deposited in the bank accounts.

All the conditions set out in the Company's new H Shares placing agreement have been fulfilled and the placing was completed on 30 November 2018, with net proceeds of approximately HK$67.7 million (amounted to approximately RMB60.1 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 announcement dated 15 November 2018. As at 31 December 2018, the Company has not utilized any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

FUTURE DEVELOPMENT PROSPECT AND STRATEGIES

As a comprehensive green decoration service provider with a global leading position, in 2019, the Group will focus on its core business, especially in the segment areas and regional markets, and integrate them to enhance our performance. The Group believes that the following strategies will help further enhance its competitiveness and operating results:

1. Heed to segment market and focus on regional development

The Group will focus on the support and development of the business in medical care and hotel in the segment areas, continue to reinforce and highlight our advantage in these segment areas. We also focus on the development in Great Bay Area, establishing Great Bay Area business department, and exploring the chance in winning the 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 enter the market with a diligent plan at a good timing.

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

The Group will keep on optimizing the project management process and improving the efficiency of the project management through rebuilding and renovating the process. 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 reserve

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 2018, 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 a 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 2018, 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 2018 (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 did not recommend the payment of a final dividend for the year ended 31 December 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 Saturday, 11 May 2019 to Tuesday, 11 June 2019, 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 Friday, 10 May 2019, being the business day before the first day of closure of the register of members.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2018 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 2018 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 Tuesday, 11 June 2019. 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 2018.

AUDITOR

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2018 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 2018. 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

Change in scope of business of the Company

On 19 March 2019, the change in scope of business of the Company was approved by the Shareholders of the Company at the extraordinary general meeting. The scope of business was expanded with the addition of "Grade III General Contractor of Municipal Engineering" and "Grade III General Contractor of Construction Engineering" which has also been explained at the "Business Review" section of this announcement. For details, please refer to the circular of the Company dated 31 January 2019.

Amendments to the Articles of Association

On 19 March 2019, the amendments to the Articles of Association of the Company was approved by the shareholders of the Company at the extraordinary general meeting, on matters in relation to, among others, "Objectives and scope of business", "Shares and registered capital" and "The Board of directors". For details, please refer to the circular of the Company dated 31 January 2019.

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, 28 March 2019

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; Ms. Li Yuanfei as Non-executive Director; and Mr. Cheung Wai Yeung Michael, Mr. Wang Zhaowen, and Mr. Lin Zhiyang, as Independent Non-executive Directors.

* *For identification purpose only*