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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 2021**

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Year Ended 31 December		
	2021	2020	Changes
Revenue	555.4	910.6	-39.0%
Gross Profit	72.8	151.9	-52.1%
<i>Gross Profit Margin</i>	13.1%	16.7%	-3.6 p.p
Profit/(loss) for the year	-578.1	-331.7	-74.3%
<i>Net Profit/(loss) Margin</i>	-104.1%	-36.4%	-67.7 p.p
Basic and diluted earnings/(loss) per share (RMB)	-240 cents	-138 cents	-73.9%

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited* (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Current Period**”), together with the comparative figures for the previous year (the “**Preceding Period**”):

(a) Consolidated Income Statement

For the year ended on 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	<i>Notes</i>	Amount for the Current Period	Amount for the Preceding Period
I. Total operating revenue		555,405,954.16	910,563,337.49
Including: Operating income	4	555,405,954.16	910,563,337.49
Interest income		—	—
Premium earned		—	—
Fees and commissions income		—	—
II. Total operating cost		576,646,352.22	884,046,793.45
Including: Operating cost		482,582,884.14	758,687,820.28
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		3,543,199.70	3,614,981.92
Selling expenses		5,793,974.39	12,830,327.70
Administrative expenses		21,043,160.46	36,574,370.67
Research and development expenses		44,396,756.10	46,031,307.70
Finance expenses		19,286,377.43	26,307,985.18
Including: Interest expenses		19,361,776.60	25,615,997.77
Interest income		-803,442.84	-431,636.15
Add : Other incomes		2,544,198.71	5,107,423.15
Investment income (“-” for losses)		—	226,051.27
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)		-130,532,661.54	-236,954,296.82
Impairment on assets (“-” for losses)		-301,149,352.28	-194,379,480.50
Gains on disposal of assets (“-” for losses)		1,102,082.06	—

(a) Consolidated Income Statement (Continued)
For the year ended on 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

	<i>Notes</i>	Amount for the Current Period	Amount for the Preceding Period
III. Operating profit (“–” for losses)		-449,276,131.11	-399,483,758.86
Add: Non-operating income		927,594.48	6,473,111.54
Less: Non-operating expenses		28,492,890.97	2,513,675.05
IV. Profit before tax (“–” for losses)		-476,841,427.60	-395,524,322.37
Less: Income tax expenses	5	101,272,740.37	-63,776,155.54
V. Net profit (“–” for losses)		-578,114,167.97	-331,748,166.83
(I) Classification of business operation		—	—
1. Net profit from continuing operations (“–” for losses)		-578,114,167.97	-331,748,166.83
2. Net profit from discontinued operations (“–” for losses)		—	—
(II) Classification of ownership		—	—
1. Net income attributable to minority shareholders		-578,114,167.97	-331,748,166.83
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)
For the year ended on 31 December 2021
(All amounts in RMB Yuan unless otherwise stated)

	<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)		-578,114,167.97	-331,748,166.83
Total comprehensive income attributed to parent company owners		-578,114,167.97	-331,748,166.83
Total comprehensive income attributable to minority shareholders		—	—
VIII. Earnings/loss per share	6		
(I). Basic earnings/loss per share <i>(RMB/share)</i>		-2.40	-1.38
(II). Diluted earnings/loss per share <i>(RMB/share)</i>		-2.40	-1.38

(b) Consolidated Balance Sheet*As at 31 December 2021**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Notes</i>	Balance at the end of the Current Period	Balance at the end of Preceding Period
Current assets:			
Monetary capital	12	33,212,976.49	159,515,439.36
Settlement reserve		—	—
Due from banks and other financial institutions		—	—
Trading financial assets		—	—
Derivative assets		—	—
Notes receivables		100,000.00	22,755,118.74
Accounts receivables	9	647,005,736.93	607,775,832.17
Receivables financing		—	—
Prepayment	10	106,488,851.62	208,152,663.59
Premium receivables		—	—
Reinsurance premium receivables		—	—
Reserves for reinsurance contract receivables		—	—
Other receivables		26,520,344.90	24,012,973.96
Securities purchased under agreement to resell		—	—
Inventories		—	—
Contract assets	11	415,662,534.04	962,499,032.68
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		—	—
Total current assets		<u>1,228,990,443.98</u>	<u>1,984,711,060.50</u>

(b) Consolidated Balance Sheet (Continued)*As at 31 December 2021**(All amounts in RMB Yuan unless otherwise stated)*

Assets	<i>Notes</i>	Balance at the end of the Current Period	Balance at the end of Preceding Period
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		601,999.25	645,450.65
Fixed assets		49,163,420.12	54,495,287.80
Construction in progress		—	—
Productive biological assets		—	—
Oil and gas assets		—	—
Right of use assets		786,126.16	1,509,667.71
Intangible assets		8,809,908.22	9,112,081.29
Development expenditure		—	—
Good will		—	—
Long-term expenses to be amortised		—	—
Deferred income tax assets		—	100,327,045.56
Other non-current assets		5,063,015.86	1,952,628.77
Total non-current assets		64,424,469.61	168,042,161.78
Total assets		1,293,414,913.59	2,152,753,222.28

(b) Consolidated Balance Sheet (Continued)*As at 31 December 2021**(All amounts in RMB Yuan unless otherwise stated)*

Liabilities	<i>Notes</i>	Balance at the end of the Current Period	Balance at the end of Preceding Period
Current liabilities:			
Short-term borrowings	15	245,801,658.03	364,250,000.00
Borrowing from central bank		—	—
Placement from banks and other financial institutions		—	—
Trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payables		—	55,000,000.00
Account payables	14	353,108,490.10	512,328,088.59
Advanced received		—	—
Contract liability		150,619,394.05	123,622,941.35
Securities sold under agreement to repurchase		—	—
Deposit and placements from other financial institutions		—	—
Securities brokering		—	—
Securities underwriting		—	—
Staff remuneration payable		5,838,190.99	8,561,963.77
Tax payable		121,271,501.25	96,973,349.96
Other payable		49,347,594.92	13,743,687.75
Fees and commissions payable		—	—
Reinsurance amount payable		—	—
Liabilities held for sale		—	—
Non-current liabilities due within in one year		—	—
Other current liabilities		6,577,072.84	25,110,653.30
Total current liabilities		932,563,902.18	1,199,590,684.72

(b) Consolidated Balance Sheet (Continued)*As at 31 December 2021**(All amounts in RMB Yuan unless otherwise stated)*

	<i>Notes</i>	Balance at the end of the Current Period	Balance at the end of Preceding Period
Total liabilities and owners' equity			
Non-current liabilities:			
Reserve insurance contract		—	—
Long-term borrowings		—	—
Bonds payable		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Lease liabilities		945,763.76	1,477,088.01
Long-term payables		—	—
Long-term employee benefits payable		—	—
Estimate liabilities		14,754,573.20	—
Deferred income		1,484,510.31	1,556,925.51
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
		<hr/>	<hr/>
Total non-current liabilities		17,184,847.27	3,034,013.52
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Total liabilities		949,748,749.45	1,202,624,698.24
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Owners' equity:			
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		131,626.07	28,479,818.00
Surplus reserve		80,126,247.00	80,126,247.00
General risk reserve		—	—
Undistributed profit		-300,592,088.81	277,522,079.16
Equity attributable to parent company		343,666,164.14	950,128,524.04
Minority interest		—	—
		<hr/>	<hr/>
Total owners' equity		343,666,164.14	950,128,524.04
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Total liabilities and owners' equity		1,293,414,913.59	2,152,753,222.28
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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 with the Company Law. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016. The industry it involves is renovation and decoration sector. The registered capital of the Company was RMB240,930,645. As of 31 December 2021, the Company’s share capital 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 2021, the subsidiaries of the Company which are in the scope of consolidated financial statements are as follows:

Name of the subsidiaries

Huidong Shikuan Decorative Furniture Creative Culture Company Limited
Hudong Yip’s Development Company Limited
Jingdi Industrial (Shenzhen) Company Limited
Adway Construction (Hong Kong) Limited

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation of basis

The financial statements are prepared in accordance with the relevant requirements of the Accounting Standards for Business Enterprises, specific accounting standards, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises issued by the Ministry of Finance (hereinafter collectively referred to as “CAS”). In addition, the financial statements are in compliance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(2) Going concern

The Group recorded net loss of approximately RMB578.1 million for the year ended 31 December 2021. As at 31 December 2021, the Group had short-term borrowings of approximately RMB245.8 million and held cash and cash equivalents of approximately RMB8.6 million. As at 31 December 2021, the Group had an overdue short-term borrowing of approximately RMB17.0 million.

As at 31 December 2021, the Group was involved in certain pending litigations with amount of approximately RMB38.1 million in relation to disputes on payments of labor and material in the ordinary course of business. As at 31 December 2021, the Group’s bank deposit of approximately RMB13.5 million in total was frozen by a court in China. These indicate that there are material uncertainties about the Group’s ability to continue as a going concern.

Given the abovementioned, the Group’s management team has taken into consideration its future liquidity and performance as well as available sources of fund on a prudent basis in assessing the Group’s ability to continue as a going concern. The Group has adopted or will adopt the following plans or measures to moderate the Group’s pressure on liquidity and improve its cash flow, including but not limited to:

1. to actively communicate with the bank for the renewal of its loan to provide more adequate asset security and guarantee from related parties for the loan. The Company has been actively communicating with the bank on the outstanding, matured loan and has been making repayments gradually. The bank hoped that the Company’s business operations can maintain normal and it has no intention to take any extreme measures against the Company to demand immediate repayment.
2. to enhance settling and collection of contract assets and accounts receivable associated with clients and projects and take legal actions when necessary to accelerate its cash inflow.
3. to dispose of one of the Company’s subsidiaries and the land owned by it. The proceeds from the disposal will be used to replenish its working capital.
4. to take multiple measures to control administrative costs and save expenditure.
5. to actively negotiate with certain financial institutions to secure new sources of financing or to restructure existing borrowings.
6. to improve business profitability, adapt to market changes, and develop businesses with lower operating risks but higher technology.

Notwithstanding the foregoing, there are still significant uncertainties as to whether the Group will be able to achieve its plans and initiatives as described above. The Group's ability to continue as a going concern depends on its ability to obtain financing and improve its cash flow through the following methods:

1. successfully convincing the lending bank not to take extreme measures to demand immediate repayment of the matured loan.
2. successfully accelerating the settling and collection of contract assets and accounts receivable associated with clients and projects.
3. successfully obtaining new sources of financing in time.

If the Group does not achieve the expected results from the above plans and measures, it may not be able to continue as a going concern and adjustments will be required to reduce the carrying amount of the Group's assets to their recoverable amounts, to make provisions for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

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 Company's financial position as at 31 December 2021 and the operating results and cash flow of the Company in 2021.

(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.

(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	554,506,512.36	482,218,103.10	910,120,786.98	758,638,208.26
Other business	899,441.80	364,781.04	442,550.51	49,612.02
Total	<u>555,405,954.16</u>	<u>482,582,884.14</u>	<u>910,563,337.49</u>	<u>758,687,820.28</u>

Details of operating revenue from primary business

	Amount for the Current Period	Amount for the Preceding Period
Construction and decoration	535,071,538.81	881,676,822.00
Design	11,323,242.31	15,037,671.92
Sales of goods	6,362,232.09	8,095,439.19
Others	<u>2,648,940.95</u>	<u>5,753,404.38</u>
Total	<u>555,405,954.16</u>	<u>910,563,337.49</u>

5. INCOME TAX EXPENSE

	Amount for the Current Period	Amount for the Preceding Period
Current income tax expense	945,694.81	605,436.16
Deferred income tax	<u>100,327,045.56</u>	<u>-64,381,591.70</u>
Total	<u><u>101,272,740.37</u></u>	<u><u>-63,776,155.54</u></u>

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

Name of the companies	Income tax rate
Guangdong Adway Construction (Group) Holdings Company Limited*	15%
Jingdi Industrial (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	8.25%, 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) jointly issued by the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau and Shenzhen Local Taxation Bureau under State Administration of Taxation granted the Company its High and New Technology Enterprise Certificate issued on 9 December 2019 with certificate number GR201944206234, which is effective for three years. The applicable income tax rate is 15% for the period.

Hong Kong profits tax is levied on profits arising in or derived from any industries, profession or business in Hong Kong. The corporation's profits tax rate is 8.25% for the first HK\$2 million. Subsequent profits are taxed at 16.5%.

6. EARNINGS/LOSS PER SHARE

Basic earnings/loss per share is calculated by dividing the net profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	Amount for the Current Period	Amount for the Preceding Period
Consolidated net profit/(loss) attributable to ordinary shareholders of the parent company	-578,114,167.97	-331,748,166.83
Weighted average number of ordinary shares issued by the company	240,930,645.00	240,930,645.00
Basic earnings/loss per share	-2.40	-1.38
including: Basic earnings/loss per share of continuing operation	-2.40	-1.38
Basic earnings/loss per share of discontinuing operation	—	—

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2021. Diluted earnings/loss per share are the same as the basic earnings/loss per share (2020: same).

7. DIVIDENDS

The Board do not recommend the payment of any final dividend in respect of the year ended 31 December 2021 (2020: nil).

8. LEASES

(1) Company as a Lessee

	Amount for the Current Period	Amount for the Preceding Period
Interest expense on lease liabilities	71,986.95	115,183.61
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	515,575.03	753,909.97

(2) Company as a Lessor

	Amount for the Current Period	Amount for the Preceding Period
Operating lease income	842,838.03	322,095.18
Including: In come related to variable lease payments not included in lease receipts	—	—

9. ACCOUNT RECEIVABLES

(1) Account receivables shown by ageing on the recognition date

Aging	Balance at the end of the Current Period	Balance at the end of Preceding Period
Within 1 year	513,804,647.04	176,899,528.99
1–2 years	78,199,284.39	459,858,633.84
2–3 years	448,249,260.28	119,163,232.17
3–4 years	38,081,647.12	82,756,222.44
4–5 years	40,698,955.58	64,389,529.08
Over 5 years	29,312,500.72	105,888,233.89
Subtotal	<u>1,148,346,295.13</u>	<u>1,008,955,380.41</u>
Less: bad debt provision	<u>501,340,558.20</u>	<u>401,179,548.24</u>
Total	<u><u>647,005,736.93</u></u>	<u><u>607,775,832.17</u></u>

(2) Account receivables shown by classification of bad debt provisions

type	Balance at the end of the Current Period					Balance at the end of Preceding Period				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts on an individual basis	352,377,202.04	30.69	352,377,202.04	100.00	245,039,692.55	24.29	245,039,692.55	100.00		
Provision for bad debts on a collective basis	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
Including: Provision for bad debts on an ageing portfolio	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
Total	<u>1,148,346,295.13</u>	<u>100.00</u>	<u>501,340,558.19</u>	<u>18.71</u>	<u>647,005,736.94</u>	<u>1,008,955,380.41</u>	<u>100.00</u>	<u>401,179,548.24</u>	<u>20.44</u>	<u>607,775,832.17</u>

(3) Provision, transfer and recovery of bad debts for the Current Period

Type	Changes in Current Period				Balance at the end of the Current Period
	Balance at the end of Preceding Period	Provision	Reversed or recovered	Resale or Written off	
Provision for bad debts on an individual basis	245,039,692.55	107,337,509.49			352,377,202.04
Provision for bad debts on a collective basis	156,139,855.69	—	7,176,499.54		148,963,356.15
Total	<u>401,179,548.24</u>	<u>107,337,509.49</u>	<u>7,176,499.54</u>	<u></u>	<u>501,340,558.19</u>

10. PREPAYMENTS

Aging	Balance at the end of the Current Period		Balance at the end of Preceding Period	
	Amount	(%)	Amount	(%)
Within 1 year	106,488,851.62	100.00	169,321,365.01	81.35
1–2 years	—	—	35,161,469.26	16.89
2–3 years	—	—	3,669,829.32	1.76
Over 3 years	—	—	—	—
Total	<u>106,488,851.62</u>	<u>100.00</u>	<u>208,152,663.59</u>	<u>100.00</u>

11. CONTRACT ASSETS

(1) Details of contract assets

	Balance at the end of the Current Period			Balance at the end of Preceding Period		
	Book balance	provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Assets from construction contracts	951,892,377.12	539,840,206.61	412,052,170.51	1,197,784,405.31	238,596,784.74	959,187,620.57
Quality assurance deposit receivables within one year	<u>3,817,865.20</u>	<u>207,501.67</u>	<u>3,610,363.53</u>	<u>3,485,696.96</u>	<u>174,284.85</u>	<u>3,311,412.11</u>
Total	<u>955,710,242.32</u>	<u>540,047,708.28</u>	<u>415,662,534.04</u>	<u>1,201,270,102.27</u>	<u>238,771,069.59</u>	<u>962,499,032.68</u>

(2) Classification of contract assets shown by basis of impairment provisions made

Type	Balance at the end of the Current Period				Balance at the end of Preceding Period				
	Book balance		Provision for impairment		Book balance		Provision for impairment		Carrying amount
	Amount	Percentage of provision	Amount	Percentage of provision	Amount	Percentage of provision	Amount	Percentage of provision	
Provision for bad debts on an individual basis	351,142,902.63	36.74	351,142,902.63	100.00	33,593,602.89	2.80	33,593,602.89	100.00	
Provision for bad debts on a collective basis	604,567,339.69	63.26	188,904,805.65	31.25	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68
Including:									
Provision for bad debts on an ageing portfolio	604,567,339.69	63.26	188,904,805.65	31.25	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68
Total	955,710,242.32	100.00	540,047,708.28		1,201,270,102.27	100.00	238,771,069.59		962,499,032.68

(3) Particulars of impairment provision for contract assets for the Current Period

	Balance at the end of Preceding Period	Provision in Current Period	Reversal in Current Period	Resale/ written-off in Current Period	Balance at the end of the Current Period
Provision for bad debts on an individual basis	33,593,602.89	317,549,299.74			351,142,902.63
Provision for bad debts on a collective basis	205,177,466.70		16,272,661.05		188,904,805.65
Total	238,771,069.59	317,549,299.74	16,272,661.05		540,047,708.28

12. MONETARY CAPITAL

	Balance at the end of the Current Period	Balance at the end of Preceding Period
Cash on hand	26,562.90	27,095.90
Bank deposit	8,569,328.99	110,573,669.42
Other monetary funds	24,617,084.60	48,914,674.04
Total	33,212,976.49	159,515,439.36
Including: total amount deposited abroad	32,398.67	26,865.14

13. SHARE CAPITAL

	Balance at the end of Preceding Period	Changes during the Current Period (increase (+), decrease (-))				Sub-total	Balance at the end of the Current Period
		Issuance of new shares	Bonus shares	Conversion of the accumulation funds into shares	Other		
Total shares	240,930,645.00	—	—	—	—	240,930,645.00	

14. ACCOUNT PAYABLES

(1) List of account payables

	Balance at the end of the Current Period	Balance at the end of Preceding Period
Payment for goods	289,931,646.16	355,860,805.86
Payment for subcontract	62,937,755.37	146,358,255.00
Other	239,088.57	10,109,027.73
	<u>353,108,490.10</u>	<u>512,328,088.59</u>
total	<u>353,108,490.10</u>	<u>512,328,088.59</u>

(2) Account payables shown by ageing on the recognition date

Ageing	Balance at the end of the Current Period		Balance at the end of Preceding Period	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	62,607,826.06	17.73	236,405,655.61	46.14
1 – 2 years	101,581,004.43	28.77	184,168,109.55	35.95
2 – 3 years	121,050,462.06	34.28	57,355,507.40	11.20
Over 3 years	67,869,197.55	19.22	34,398,816.03	6.71
	<u>353,108,490.10</u>	<u>100.00</u>	<u>512,328,088.59</u>	<u>100.00</u>
Total	<u>353,108,490.10</u>	<u>100.00</u>	<u>512,328,088.59</u>	<u>100.00</u>

15. SHORT TERM BORROWINGS

(1) Classification of short-term borrowings

	Balance at the end of the Current Period	Balance at the end of Preceding Period
Borrowings — secured, pledged and guaranteed	189,302,821.44	70,000,000.00
Borrowings — secured and guaranteed	56,498,836.59	250,000,000.00
Borrowings — pledged	—	14,250,000.00
Guaranteed borrowings	—	30,000,000.00
	<u>245,801,658.03</u>	<u>364,250,000.00</u>
Total	<u>245,801,658.03</u>	<u>364,250,000.00</u>

(2) Outstanding overdue short-term borrowing

The total outstanding overdue short-term borrowing at the end of the Current Period was RMB16,998,836.59.

In particular, the outstanding overdue short-term borrowing is as follows:

Debtor	Balance at the end of the Current Period	Borrowing rate	Overdue date	Overdue rate
Guocai Branch of Industrial and Commercial Bank of China	16,998,836.59	6.09%	2021/12/17	7.28%
Total	<u>16,998,836.59</u>	<u>—</u>	<u>—</u>	<u>—</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The world economy showed a recovery trend in 2021, while the trend of the COVID-19 epidemic remained uncertain. Against this backdrop, the domestic economy maintained stable recovery. Due to the normalization of the COVID-19 epidemic and the extremely severe situation in the real estate industry under the continuous macroeconomic control by the PRC, the building decoration industry was also exposed to greater pressure.

Nevertheless, there remains a broad market potential in demand of the building decoration industry which is undergoing a transition to high quality development, from relying on customers in real estate industry to customers in industrial, commercial and public building categories. In terms of operation and management, entities are required to continuously improve their own competitiveness and management capacity and seek for a vigorous development and healthy cash flow.

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 25 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.

In 2021, the Company was awarded the “Enterprise of “Observing Contracts and Valuing Credit” in Guangdong Province for 17 consecutive years” (連續十七年廣東省「守合同重信用」企業) and “Top 100 Statistical Results of Comprehensive Statistics of Building Decoration Industry in 2020 (Curtain Wall Category)” (2020年度建築裝飾行業綜合數據統計結果(幕牆類)前100名).

A project of the Group, namely the “Renovation Project of New Business Office Building of Industrial and Commercial Bank of China Chongqing Branch”, was awarded “China Construction Engineering Decoration Award” (中國建築工程裝飾獎).

The Chinese government has been committed to establishing a unified and open construction market. With the liberalization of conditions for accessing to regional markets of the PRC, the Group's branches have no longer adapted to the needs of development of the industry. Under the condition that the operating network remains unchanged, the Group closed the branches successively in 2021, and businesses are managed directly by headquarters of the Group, which would help strengthen the Group's ability to manage and control projects and save costs.

Throughout 2021, the Group has signed 44 new contracts with a value of more than RMB1 million each, 7 new contracts with a value of more than RMB10 million each and 1 new contract with a value of more than RMB100 million. The newly signed contract value amounted to approximately RMB398 million in total. The Group was more cautious in the selection of customers. The newly signed contracts were mainly from customers in the industrial, commercial and public building industry to ensure the smooth payment for the projects under construction.

Throughout 2021, the Group undertook 238 projects (each with a contract value of more than RMB1 million). The total contract value was approximately RMB2.379 billion, including 59 projects with a contract value of more than RMB10 million each and 7 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 enterprise income tax rate of 15%. The HNTE Certificate of the Company has been renewed in 2019, which is valid for three years from 2019 to 2021.

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

The Group will keep focusing on its main business in 2022. The Group believes that the following strategies will help improve the operating results and promote the steady development of our business:

1. To pay attention to infrastructure and medical market and seek for high quality development

As the Chinese government increases its investment in infrastructure construction and medical resources, in 2022, the Group will take a nationwide view and focus on businesses in the fields of infrastructure construction and medical care, seeking optimal customers and pursuing high-quality development in view of the Group's strengths in the fields of the building decoration, curtain wall and electrical and mechanical installation.

2. Push forward marketing transformation and enhance talent reserve

The Group will vigorously promote the upgrading and transformation of its marketing efforts, and will change the pursuit of scale to quality in terms of marketing strategy. In the selection of customers and projects, the Group will more carefully evaluate the payment capacity of customers, reduce projects of risky customer, and cultivate stable high-quality large customers with an aim to promoting the steady development of the Group's business. In terms of talent reserve, the Group will strengthen the talent training of the marketing team.

3. 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.

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 promoting the brand, integrated development in corporate finance and managing with standardized approach in refined segments, so as to promote our competitiveness and influential power.

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 39.0% from approximately RMB910.6 million for the year ended 31 December 2020 to approximately RMB555.4 million for the year ended 31 December 2021. The Group's primary business revenue decreased by 39.1% from approximately RMB910.1 million for the year ended 31 December 2020 to approximately RMB554.5 million for the year ended 31 December 2021. The decrease in primary business revenue was mainly due to the decreased orders in the industry and the normal impact of the COVID-19 epidemic, which resulted in the decline of operating efficiency and slowed down the construction progress and had an adverse impact on the primary business, as well as the decrease in newly signed contract amount due to the fact that the Company applied a more prudent strategy to its business and order. The Group's other business revenue increased from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB0.9 million for the year ended 31 December 2021.

The Group's gross profit decreased by 52.1% from approximately RMB151.9 million for the year ended 31 December 2020 to approximately RMB72.8 million for the year ended 31 December 2021. The gross profit margin decreased by 3.6 percentage points (“p.p”) from 16.7% for the year ended 31 December 2020 to 13.1% for the year ended 31 December 2021. Such decrease is mainly due to the low work efficiency and increase in labor cost under the normal impact of the COVID-19 epidemic as well as the rising cost of raw materials.

Net loss for the Current Period

Net loss of approximately RMB578.1 million for the year ended 31 December 2021 (the year ended 31 December 2020: net loss of approximately RMB331.7 million) accounted for -104.1% (the year ended 31 December 2020: -36.4%) of operating revenue recorded, representing an increase in net loss of 61.7 p.p during the same period. The main reasons for the increase in net loss were (i) the systemic impact of the COVID-19 epidemic and the state's regulation on the real estate industry, which affected the liquidity of customers' funds in the industry, and increased uncertainty in the return of payment from some of the Group's customers; (ii) after a prudent assessment by the management team of the Company (the “**Management Team**”), the Company has made provision for impairment losses on the contract assets and accounts receivable of customers with recoverability risks; (iii) the Group adopted a prudent business strategy and order strategy in operation, and therefore the reduction in the newly signed orders and construction work resulted in a decrease in annual revenue; and (iv) due to two consecutive years of losses, the Management Team, after due consideration, derecognized the amount of deferred income tax assets of approximately RMB100.3 million.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020 and 2021, the Group had monetary capital (including cash and cash equivalents and restricted cash) of approximately RMB159.5 million and approximately RMB33.2 million, respectively. The decrease in the monetary capital was primarily due to the repayment of bank borrowings and the decrease in bank borrowings for the year ended 31 December 2021.

In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank borrowings. In addition, the Company will also actively adopt various measures, including but not limited to obtaining new credit lines from financial institutions, enhancing settling and collection of contract assets and accounts receivable associated with clients and projects to alleviate the current tighter cash flow.

1. Account receivables and contract assets

The account receivables increased from approximately RMB607.8 million for the year ended 31 December 2020 to approximately RMB647.0 million for the year ended 31 December 2021. The account receivables are the amounts due from customers in the ordinary course of business. The increase was primarily attributable to the increase in payment of projects as a result of more efforts were made in the settling and collection of contract assets by the Company.

The contract assets decreased significantly from approximately RMB962.5 million as at 31 December 2020 to approximately RMB415.7 million as at 31 December 2021. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the length between the delivery of interim progress payment and the endorsement on the project progress report certificate by the customer. Such significant decrease was mainly due to (1) the decrease in project construction amount while the increase in the project settlement amount in this year; and (2) the Company made significant provision for impairment of contract assets after assessment out of the principle of prudence.

2. Account payables and notes payables

Account payables decreased from approximately RMB512.3 million as at 31 December 2020 to approximately RMB353.1 million as at 31 December 2021. Such decrease was due to the decreases in purchase of building materials and expenses in labor costs arising from the decrease in operating revenue. Notes payables decreased from approximately RM55.0 million as at 31 December 2020 to nil as at 31 December 2021.

3. Borrowings

As at 31 December 2021, the Group had interest-bearing borrowings in the amount of approximately RMB245.8 million (31 December 2020: RMB364.3 million), majority of which are interest-bearing bank borrowings subject to repayment within 1 year. As of 31 December 2021, the foregoing borrowings included a borrowing of RMB10.0 million from unrelated party (annualized interest rate: 10%).

As at 31 December 2021, the Group had a short-term borrowing of approximately RMB17.0 million which was overdue on 17 December 2021.

4. Pledged assets

As at 31 December 2021, the Group's short-term borrowing was secured by fixed asset of approximately RMB41.8 million in total (31 December 2020: nil), investment property of approximately RMB0.6 million in total (31 December 2020: nil) and account receivables of approximately RMB216.8 million in total (31 December 2020: account receivables of approximately RMB141.3 million and time deposit of approximately RMB15.0 million) and guaranteed by certain related parties.

5. Gearing ratio

The gearing ratio was 35% as at 31 December 2021 while the ratio as at 31 December 2020 was 21%. The increase in gearing ratio was mainly due to the fact that the Company made significant provision for credit impairment loss and asset impairment loss, which led to decrease in assets. Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings plus lease liability less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated statement of financial position plus net debt.

6. Capital expenditure

Capital expenditures decreased from approximately RMB0.2 million for the year ended 31 December 2020 to approximately RMB0.1 million for the year ended 31 December 2021, which was mainly attributable to the fact that the Group devoted to controlling its capital expenditure in 2021.

7. Capital commitments

As at 31 December 2021, the Group had no capital commitments (2020: nil).

8. Contingent liabilities

As at 31 December 2021, the Group had ongoing litigations of approximately RMB38.1 million in relation to disputes on payments of labor and material in the ordinary course of business. As at 31 December 2021, the Group’s bank deposit of approximately RMB13.5 million in total was frozen by a court in China. According to the Group’s internal legal adviser, the Directors estimated that the Group may therefore be liable for payables, interest and default of approximately RMB18.7 million in total and such amount was made provision. During the Current Period, the Group shall make immediate payment of approximately RMB8.8 million in accordance with the judge. As at the date of the announcement, there are still ongoing litigations with amount of approximately RMB29.3 million.

9. Fluctuation of 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 to management potential fluctuation in foreign currency.

10. Significant investments in, acquisitions or disposal of subsidiaries, affiliated companies or assets

On 21 October 2021, the Company (as vendor) entered into the sale and purchase agreement with Huizhou Zhengdong Building Material Technology Limited* (惠州市正東建材科技有限公司) (as purchaser), pursuant to which, the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase the entire issued share capital of Huidong Yip's Development Company Limited* (惠東葉氏實業發展有限公司) at a consideration of approximately RMB31.53 million. For details, please refer to the announcements of the Company dated 21 October 2021 and 26 October 2021 respectively.

Save as disclosed above, the Group did not have any significant investment in, acquisitions or disposal of subsidiaries or affiliated companies or assets during the year ended 31 December 2021.

11. Segment information

The Management Team has determined the operating segments based on the reports reviewed by chief operating decision-maker (“CODM”). The CODM, who are responsible for allocating resources and assessing performance of the operating segment, have 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. The Management Team reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Board 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 2021 (year ended 31 December 2020: same).

As at 31 December 2021, all of the non-current assets were located in the PRC (31 December 2020: same).

OTHER INFORMATION

1. Purchases, sale or redemption of the Company's listed securities

During the year ended 31 December 2021, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

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 Directors has any interests in any business which directly or indirectly competes or is likely to compete with the Group’s principal business and other businesses, which would require disclosure under Rule 8.10 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

4. Compliance with the corporate governance code

The Company has been committed to fulfilling its responsibilities to the shareholders of the Company (“**Shareholders**”) to ensure that the proper processes for overseeing and managing the Group’s business are properly operated and reviewed, and have maintained sound corporate governance practices and procedures throughout the year ended 31 December 2021.

The Company has adopted the code provisions under the Corporate Governance Code (the version up to 31 December 2021) set out in Appendix 14 to the Listing Rules (the “**CG Code**”).

During the year ended 31 December 2021, the Company has always complied with all applicable code provisions set out in the CG Code, except for the deviation from the code provision A.2.1 of the CG Code that the role of the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

Pursuant to the requirements in the 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding securities transactions of the Directors and supervisors of the Company. Upon specific enquiries, all Directors and supervisors of the Company confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2021.

Relevant employees 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 year ended 31 December 2021.

6. Disclosure pursuant to Rule 13.19 of the Listing Rules

On 17 December 2021, a loan from Guocai Branch of Industrial and Commercial Bank of China (“**ICBC**”) of approximately RMB17.0 million was due for repayment and the Group has failed to repay or renew the due loan with ICBC.

Pursuant to Rule 13.19 of the Listing Rules, the Group has breached the terms of its loan agreement with ICBC. It has yet to obtain a waiver from ICBC in respect of the defaults and such that ICBC may demand the immediate repayment from the Group. As at the date of this results announcement, ICBC has not made any demand for immediate repayment of the due loans and the Group has repaid approximately RMB2.61 million.

In order to meet the repayment obligations, the Group has been in discussion with ICBC as to the repayment schedule of the loans. The Group will continue to monitor its financial position and will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “AGM”) will be held on Friday, 10 June 2022. Notice of the AGM will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.aidewei.cn and will be dispatched to the Shareholders in such manner as required under the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, 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 AGM, all shares transfer documents accompanied by the relevant 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 (for the H shareholders) or the Company’s head office and principal place of business in the PRC at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC (for the domestic shareholders) not later than 4:30 p.m. on Monday, 6 June 2022, for registration.

REVIEW OF THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) and the Management Team have reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2021.

EVENTS AFTER THE CURRENT PERIOD

From 31 December 2021 to up to the date of this announcement, the Group has no event required disclosure subsequent the Current Period.

SUMMARY OF INDEPENDENT AUDITOR’S REPORT

I. Disclaimer of Opinion

We have been engaged to audit the financial statements of Guangdong Adway Construction (Group) Holdings Company Limited (hereinafter as Adway), which comprise the consolidated and the parent company’s balance sheet as at 31 December 2021, the consolidated and the parent company’s income statements, the consolidated and the parent company’s cash flow statements, and the consolidated and the parent company’s statements of changes in shareholders’ equity for the year of 2021 then ended, as well as notes to financial statements.

We will not issue audit opinions on the financial statements of Adway. In light of the significance of the matter as described in “Basis for Disclaimer of Opinion”, we have not been able to obtain sufficient appropriate audit evidence as the basis for expressing audit opinions on the financial statements.

II. Basis for Disclaimer of Opinion

Adway has recorded a great amount of losses both in the year of 2020 and 2021. The balance of carrying amount of cash and cash equivalents in the consolidated balance sheet of Adway was RMB8,595,900 and the balance of carrying amount of short-term borrowings was RMB245,801,700 (of which RMB16,998,800 was overdue) as at 31 December 2021. As mentioned in Note “COMMITMENTS AND CONTINGENCIES” to the financial statements, Adway was engaged in several litigations and some bank accounts of the Company have been judicially frozen due to overdue debts and other reasons. These matters indicated the would-be occurrence of several material uncertainties that might incur doubts to Adway’s ability to continue as going concern. The management team of Adway has already disclosed the improvement measures in the Note “2.(2) Going concern” to the financial statements. As of the date of audit report, the management team of Adway has not yet provided sufficient valid evidence on the feasibility of the abovementioned improvement measures. In addition, we were not able to perform effective alternative audit procedures due to the unsatisfactory reply to the letter of confirmation relating to account receivables, prepayments and contract assets because of the impact of the COVID-19 epidemic. We were not able to obtain sufficient and appropriate audit evidence on the relevant items in the financial statements and material uncertainties, nor could we judge whether it is appropriate for Adway to prepare the annual financial statements for 2021 using the hypothesis of going concern before obtaining complete and accurate financial information and relevant information.

THE RESPONSE FROM THE BOARD AND MANAGEMENT TEAM TO THE DISCLAIMER OF OPINION

Due to the systemic impact of the COVID-19 epidemic and the national regulation on the real estate industry, the liquidity of customers in the industry has been affected, which also had a significant impact on the cash flow position of the Group in 2021. Despite the challenges faced by the Group, such as business losses, overdue loans and litigations, the Board and the Management Team have been proactively addressing the situation and have taken or will take the following plans and measures, including but not limited to:

1. to actively communicate with the bank for the renewal of the loan and provide more adequate asset security and guarantee from related parties for the loan. The Company has been actively communicating with the bank on the outstanding due loans and has been making repayments gradually. The bank hoped that the Company's business operations can maintain normal and it has no intention to take any extreme measures against the Company to demand immediate repayment by the Group.
2. to enhance settling and collection of contract assets and accounts receivable associated with clients and projects and take legal actions when necessary to accelerate its cash inflow. Throughout the year 2021, the Company received cash of approximately RMB868.2 million by selling products and providing labor service and the net cash flow from operating activities was RMB5.2 million.
3. to dispose of one of the Company's subsidiary and land owned by it. The consideration of approximately RMB31.53 million from the disposal will be used to replenish its working capital.
4. good results were achieved as a result of multiple measures taken to control administrative costs and save expenditure. Throughout the year 2021, the Company saved expenditure of approximately RMB29.6 million compared with that of last year, of which the selling expenses decreased by approximately RMB7 million, administrative expenses decreased by approximately RMB15.5 million and finance expenses decreased by approximately RMB7 million.
5. to actively negotiate with certain financial institutions to secure new sources of financing or to restructure existing borrowings.
6. to improve business profitability, adapt to market changes, and develop businesses with lower operating risks but higher technology.

The Board and the Management Team believe that the above measures will positively improve the Group's cash flow position so that the Company will have sufficient financial resources to support its going concern and meet its financial obligations due from 1 January 2022 to the next 12 months.

Notwithstanding the above, there are significant uncertainties as to whether the Management Team is able to achieve the above plans and measures. The Company has considered the rationale of the auditor of the Company (the "Auditor") and noted its considerations in forming disclaimer of opinion.

Due to the outbreak of COVID-19 epidemic, the travel restrictions and quarantine measures implemented by Shenzhen and the rest of China in response to the epidemic have affected the travel of people, express delivery and logistic and caused inconvenience to the Auditor in its auditing procedures, including issuing and replying to the confirmations and obtaining certain auditing evidence. The Management Team is actively communicating with the Auditor to promote subsequent work to address certain matters proposed by the Auditor in respect of the disclaimer of opinion.

THE VIEWS OF THE AUDIT COMMITTEE AND DIRECTORS

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021, and related documents, and has discussed on the matter of going concern and other matters proposed by the Auditor in respect of the disclaimer of opinion and the position and views held by the Audit Committee and the Directors on the basis of going concern are consistent. The Audit Committee is also of the view that the Management Team shall be actively communicating with the Auditor to address the matter of going concern and other matters proposed by the Auditor that caused its disclaimer of opinion.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aidewei.cn) and the annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Under Rule 13.50A of the Listing Rules, the Stock Exchange will normally require suspension of trading in an issuer's securities if it publishes a preliminary results announcement for a financial year as required under Rules 13.49(1) and (2) of the Listing Rules and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements (unless relating to the going concern issue only). The suspension will normally remain in force until the issuer has addressed the issues giving rise to the disclaimer or adverse opinion, provided comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclosed sufficient information to enable investors to make an informed assessment of its financial positions.

In view of the Disclaimer of Opinion (other than the going concern disclaimer), trading in the shares of the Company on the Stock Exchange remain suspended until further notice. The Company will issue announcement to update the Shareholders in due course.

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

Shenzhen, the PRC, 12 April 2022

As of the date of this announcement, the Board of the Company comprises Mr. Ye Yujing, Mr. Ye Jiajun, Ms. Ye Xiujin and Mr. Ye Guofeng as Executive Directors; Ms. Li Yuanfei and Mr. Zhuang Liangbin as Non-executive Directors; and Mr. Cai Huiming, Ms. Zhai Xin, and Mr. Lin Zhiyang, as Independent Non-executive Directors.

* *For identification purpose only*