

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 2022**

**FINANCIAL HIGHLIGHTS**

*(in RMB million, unless otherwise stated)*

	Year ended 31 December		
	2022	2021	Changes
<b>Revenue</b>	<b>189.11</b>	554.51	-65.90%
<b>Gross Profit</b>	<b>27.90</b>	72.29	-61.41%
<i>Gross Profit Margin</i>	<b>14.75%</b>	13.04%	13.15%
Loss for the year	<b>(975.00)</b>	(578.11)	68.65%
<i>Net Loss Margin</i>	<b>-515.58%</b>	-104.26%	394.52%
Basic and diluted loss per share (RMB)	<b>(4.05)</b>	(2.40)	68.65%

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue	4	189,111	554,507
Cost of sales		(161,216)	(482,218)
<b>Gross profit</b>		<b>27,895</b>	72,289
Selling and marketing expenses		(2,464)	(9,337)
Administrative expenses		(44,054)	(66,168)
Net impairment losses on financial and contract assets		(899,178)	(431,682)
Other expenses — net		(37,777)	(23,384)
<b>Operating loss</b>		<b>(955,578)</b>	(458,282)
Finance income		91	803
Finance costs		(19,517)	(19,362)
Finance costs — net		(19,426)	(18,559)
<b>Loss before income tax</b>		<b>(975,004)</b>	(476,841)
Income tax expense	5	—	101,273
<b>Loss for the year</b>		<b>(975,004)</b>	(578,114)
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive expenses for the year</b>		<b>(975,004)</b>	(578,114)
<b>Total profit and comprehensive expenses attributable to:</b>			
Owners of the Company		(975,004)	(578,114)
<b>Loss per share</b>			
— Basic and diluted ( <i>RMB</i> )	6	<b>(4.05)</b>	(2.40)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2022	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		46,757	49,163
Right-of-use-assets		—	786
Investment properties		559	602
Intangible assets		8,495	8,810
Other receivables		—	5,063
		<b>55,811</b>	<b>64,424</b>
<b>Current assets</b>			
Contract assets		5,524	415,663
Trade receivables	7	37,212	647,106
Prepayments and other receivables		15,441	133,009
Restricted bank balances		11,876	24,617
Cash and cash equivalents		1,006	8,596
		<b>71,059</b>	<b>1,228,991</b>
<b>Total assets</b>		<b>126,870</b>	<b>1,293,415</b>

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		240,931	240,931
Reserves		<u>(872,400)</u>	<u>102,736</u>
<b>Total equity</b>		<b><u>(631,469)</u></b>	<b><u>343,667</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		—	946
Deferred revenue		1,412	1,485
Provision		<u>—</u>	<u>14,755</u>
		<b><u>1,412</u></b>	<b><u>17,186</u></b>
<b>Current liabilities</b>			
Trade and other payables	8	483,874	536,141
Contract liabilities	9	—	150,619
Borrowings		241,572	245,802
Provision		<u>31,481</u>	<u>—</u>
		<b><u>756,927</u></b>	<b><u>932,562</u></b>
<b>Total liabilities</b>		<b><u>758,339</u></b>	<b><u>949,748</u></b>
<b>Total equity and liabilities</b>		<b><u>126,870</u></b>	<b><u>1,293,415</u></b>
<b>Net current (liabilities)/assets</b>		<b><u>(685,868)</u></b>	<b><u>296,429</u></b>
<b>Total assets less current liabilities</b>		<b><u>(630,057)</u></b>	<b><u>360,853</u></b>
<b>Net (liabilities)/assets</b>		<b><u>(631,469)</u></b>	<b><u>343,667</u></b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) is a joint stock company incorporated in the People’s Republic of China (the “**PRC**”) with limited liabilities. The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The registered and principal place of business of the Company is 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the PRC.

The Company and its subsidiaries (together the “**Group**”) are principally engaged in 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. Except for the new and amended standards as disclosed below, the policies have been consistently applied to all the years presented.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost convention.

## 2.2 Going concern

The Group incurred a net loss of approximately RMB975,004,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB685,868,000 and RMB631,469,000 respectively. As at 31 December 2022, the Group's borrowings was approximately RMB241,572,000, while the Group had cash and cash equivalents of approximately RMB1,006,000. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have given careful consideration to the future liquidity of the Group and prepared cash flow projection for a period of not less than 12 months from the end of the reporting period, including the following plans and measures with the objective to mitigate the liquidity pressure of the Group:

- (i) the Group is currently discussing with creditors and potential investors to carry out debt restructuring exercise for the purpose of reducing the level of debts and obtain new funding to support the operation of the Group. In the opinion of the directors of the Company, the discussions with creditors and financial institution are constructive. At the same time, the Group has been actively communicating with creditors to resolve the pending of litigation cases;
- (ii) the Group is actively seeking for new sources of financing; and
- (iii) the Group will implement measures to control administrative costs to preserve liquidity of the Group.

The directors of the Company, taking into account the above plans and measures, are in the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2022.

## 2.3 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 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.4 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 2022 reporting period and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

## 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 2022 and 2021.

As at 31 December 2022 and 2021, all of the non-current assets were located in the PRC.

#### 4. REVENUE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from construction contracts	181,904	535,072
Sales of goods, design and other income	7,207	19,435
	<u>          </u>	<u>          </u>
Total	<u>189,111</u>	<u>554,507</u>

#### 5. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC enterprise income tax	—	946
Deferred income tax	—	100,327
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>101,273</u>

#### 6. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company ( <i>RMB'000</i> )	(975,004)	(578,114)
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<u>240,931</u>	<u>240,931</u>
Basic loss per share ( <i>RMB</i> )	<u>(4.05)</u>	<u>(2.40)</u>

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2022 and 2021. Diluted earnings per share for the year ended 31 December 2022 and 2021 are the same as the basic earnings per share.

## 7. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	789,074	1,148,346
Less: provision for impairment of trade receivables	<u>(751,862)</u>	<u>(501,340)</u>
Trade receivables — net	37,212	647,006
Notes receivable	<u>—</u>	<u>100</u>
	<u><b>37,212</b></u>	<u><b>647,106</b></u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	169,835	472,205
1 year to 2 years	174,122	78,199
2 years to 3 years	40,055	448,249
3 years to 4 years	279,822	38,082
4 years to 5 years	30,722	40,699
Over 5 years	<u>94,518</u>	<u>70,913</u>
	<u><b>789,074</b></u>	<u><b>1,148,346</b></u>

## 8. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>413,983</u>	<u>353,108</u>
	<u><b>413,983</b></u>	<u><b>353,108</b></u>
Other tax payable	11,792	121,272
Payroll payable	2,307	5,838
Other payables	<u>55,792</u>	<u>55,923</u>
	<u><b>483,874</b></u>	<u><b>536,141</b></u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	163,933	62,608
1 year to 2 years	56,082	101,581
2 years to 3 years	67,282	121,050
Over 3 years	126,686	67,869
	<u>413,983</u>	<u>353,108</u>

## 9. BORROWINGS

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings — secured or pledged	205,742	209,303
Bank borrowings — unsecured	23,630	26,499
Other borrowings — secured or pledged	10,000	10,000
Other borrowings — unsecured	2,200	—
	<u>241,572</u>	<u>245,802</u>

As at 31 December 2022 and 2021, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rate as at 31 December 2022 was 8.08% (2021: 7.88%) per annum.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is the extract of the independent auditor’s report from the external auditor of the Company:

### **DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance

### **BASIS FOR DISCLAIMER OF OPINION**

#### **1. Opening balances and corresponding figures**

The auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2021 (“**2021 Financial Statements**”) contained qualifications on the limitation of audit scope relating to (i) unable to perform effective alternative audit procedures due to the unsatisfactory reply to the letter of confirmation relating to trade receivables, prepayments and contract assets because of the impact of the COVID-19; and (ii) multiple uncertainties relating to going concern (“**Qualifications**”). Details of which has been set out in the auditor’s report for 2021 Financial Statements dated 30 March 2022.

As the 2021 financial statements formed the basis for the corresponding figures presented in the current year’s financial statements, any adjustments found to be necessary in respect of the Qualifications would have an effect on the opening balances and corresponding figures for the current year’s financial statements, in particular the trade receivables, prepayments and other receivables, contract assets, and the related disclosures thereof.

## **2. ECL allowance for trade receivables, other receivables and contract assets**

As at 31 December 2022, the Group's trade receivables, prepayments and other receivables, contract assets were approximately RMB37,212,000 (2021: RMB647,106,000), RMB15,441,000 (2021: RMB133,009,000) and RMB5,524,000 (2021: RMB415,663,000), respectively ("**Receivables**"), which was net of allowance under the expected credit loss model ("**ECL**").

Due to the liquidity concern over the Group's financial position, the management of the Group has actively traced the debtors for their settlements of the Receivables. However, due to the unfavourable economic conditions resulting from the outbreak of COVID-19 and recent downturn for the property market in the PRC, the management of the Group are in the opinion that the recoverability for certain debtors were difficult. Accordingly, the Group recognised ECL allowances for trade receivables, other receivables and contract assets of approximately RMB751,862,000, RMB65,814,000 and RMB19,437,000, respectively for the year ended 31 December 2022 ("**ECL Allowances**").

Under these circumstances together with the limitations of audit scope in respect of the opening balances for ECL Allowances, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the provision of ECL Allowances during the year ended 31 December 2022 was appropriate, in particular, the timing for the recognition of ECL Allowance.

Any adjustment found to be necessary in respect of the ECL Allowance as described above might have a significant effect on the Group's consolidated financial performance for the year ended 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

## **3. Material uncertainties relating to going concern**

As described in the consolidated financial statements, the Group incurred a net loss of approximately RMB975,004,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB685,868,000 and RMB631,469,000 respectively. As at 31 December 2022, the Group's borrowings was approximately RMB241,572,000, while the Group had cash and cash equivalents of approximately RMB1,006,000. These conditions, along with other matters as described in the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors of the Company have taken measures to improve the Group's liquidity and financial position as described in the consolidated financial statements, including but not limited to (i) the Group is currently discussing with creditors and potential investors to carry out debt restructuring exercise for the purpose of reducing the level of debts and obtain new funding to support the operation of the Group; (ii) the Group is actively seeking for new sources of financing; and (iii) the Group will implement measures to control administrative costs to preserve liquidity of the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. Any adjustment found to be required may have consequential significant effect on the consolidated net liabilities of the Group as at 31 December 2022 and the consolidated financial performance and cash flows of the Group for the year ended 31 December 2022, and the related disclosures thereof in the consolidated financial statements.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

2022 is a year full of challenges and changes. Affected by the continued impact of the COVID-19 pandemic, under the pressure from the ongoing Sino-US trade war and the subsequent continued decoupling and suppression of China by the West, the PRC economic growth has slowed down. The building decoration industry to which the Group belongs has also been seriously affected by the tightening of regulation and control policies of the real estate and related industries in the PRC.

On the other hand, although the PRC economy is facing tremendous challenges, its huge growth potential remains. While the building decoration industry has encountered its contraction, the market demand on which the industrial development relies remains. As the government's policy on the real estate industries tends to be more favourable, the future development opportunities remain. The building decoration industry will shift from a high-speed growth stage to a high-quality development stage with opportunities and challenges co-exist.

## **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 26 years of operating history, the Group has gained substantial experience and brand 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. However, due to the combined impact of the Company's bank debt default, capital chain rupture, lack of solvency, increase in litigation cases, the business in 2022 was significantly reduced.

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%. In 2022, the HNTE Certificate of the Company has been renewed and is valid for three years from 2022 to 2024.

## **FINANCIAL REVIEW**

### **Revenue and gross profit margin**

The Group's revenue decreased by 65.90% from approximately RMB554.51 million for the year ended 31 December 2021 to approximately RMB189.11 million for the year ended 31 December 2022. Such decrease was mainly due to the significant decrease in contract value in 2022.

The Group's gross profit decreased by 61.41% from approximately RMB72.29 million for the year ended 31 December 2021 to approximately RMB27.90 million for the year ended 31 December 2022. The gross profit margin increased from 13.04% for the year ended 31 December 2021 to 14.75% for the year ended 31 December 2022, which was mainly due to the deregistration of subsidiaries in 2021 and the direct management of business by the head office of the Group, which strengthened the Group's ability to manage and control the projects as well as saving costs.

## **Loss for the year**

Loss for the year increased by 68.65% from approximately RMB578.11 million for the year ended 31 December 2021 to approximately RMB975.00 million for the year ended 31 December 2022. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made further provisions in relation to all projects of which certain settlement and payment processes have been delayed after due consideration.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2022 and 2021, the Group's monetary capital (comprising cash and cash equivalents and restricted cash) were approximately RMB12.88 million and RMB33.21 million, respectively. The decrease in the Group's monetary capital was mainly due to the repayment of bank borrowings; the Company's inability to obtain new external funds as a result of the default of the Company's debts; and in order to ensure the completion of projects, direct payment to suppliers by the major procurement customers mainly due to the freezing of the Company's accounts.

On 22 September 2023, the Company announced that "the Restructuring Transactions involves, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the proposed issue of new Domestic Shares under the Specific Mandate; (4) the proposed placing of new H Shares under the Specific Mandate; (5) the proposed amendment to the Articles; and continued suspension of trading". The Company intends to utilize all the proceeds from the subscription of Domestic Shares and the placing of H Shares towards the debt restructuring for settling its target reduced debts. 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 account receivables associated with clients and engineering projects, to restore the Company's liquidity. For details, please refer to the announcement of the Company dated 22 September 2023.

### **1. Trade receivables and contract assets**

The trade receivables decreased from approximately RMB647.11 million for the year ended 31 December 2021 to approximately RMB37.21 million for the year ended 31 December 2022. The trade receivables are the amounts due from customers in the ordinary course of business. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made further provisions in relation to all projects of which certain settlement and payment processes have been delayed after due consideration.

The contract assets decreased from approximately RMB415.66 million as at 31 December 2021 to approximately RMB5.52 million as at 31 December 2022. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made sufficient further provisions in relation to certain contract assets of unsettled projects after due consideration.

## **2. Trade and other payables**

The trade and other payables decreased from approximately RMB536.14 million as at 31 December 2021 to approximately RMB483.87 million as at 31 December 2022, which was mainly due to the demand for settlement with suppliers.

## **3. Borrowings**

As at 31 December 2022, the Group had borrowings in the amount of approximately RMB241.57 million (31 December 2021: approximately RMB245.80 million), majority of which are interest-bearing bank borrowings subject to repayment within one year. The Group's bank borrowings were all at fixed interest rates. As at 31 December 2022, the weighted average effective interest rate was 8.08% (2021: 7.88%) per annum.

In terms of bank borrowings, as at the date of this announcement, the total outstanding bank borrowings due were RMB229.37 million. Including, on 24 May 2023, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a notice of sale of debt collateral assets in the amount of RMB18.42 million in respect of the debt default applied for by Bank of Beijing to the Company; and on 1 June 2023, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a notice of auction of debt collateral assets in the amount of RMB43.51 million in respect of the debt default applied for by Bank of China to the Company.

## **4. Pledged assets**

As at 31 December 2022, the Group's short-term borrowing was secured and pledged by fixed asset of approximately RMB40.18 million in total (31 December 2021: RMB41.8 million), investment property of approximately RMB0.56 million in total (31 December 2021: RMB0.64 million) and trade receivables of approximately RMB216.8 million in total (31 December 2021: trade receivables of RMB216.8 million and time deposit of RMB15.0 million) and guaranteed by certain connected persons.

## **5. Gearing ratio**

The gearing ratio was 597.73% as at 31 December 2022 while the ratio as at 31 December 2021 was 73.43%, which was mainly due to further sufficient provisions made for the Group's trade receivables and contract assets for the year ended 31 December 2022.

Gearing ratio represents net debt divided by total assets. Net debt is calculated as total borrowings plus lease liability, trade and other payables, contract liabilities, deferred income. 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 RMB0.1 million for the year ended 31 December 2021 to approximately RMB0 million for the year ended 31 December 2022, which was mainly attributable to the fact that the Group devoted to controlling its capital expenditure in 2022.

## **7. Capital commitments**

As at 31 December 2022, the Group had no capital commitments (2021: nil).

## **8. Contingent liabilities**

As at 31 December 2022, due to financial constraints, overdue bank borrowings and involvement in a number of litigations, the bank deposits of the Group with the total value of RMB11.88 million has been frozen by the courts in the PRC. According to the Group's in-house legal adviser, the Directors estimated that the Group may therefore be liable for payables, interest and default of approximately RMB31.48 million in total and such amount was made provision. As at 31 December 2022, the Group had no material contingent liabilities (2021: RMB14.76 million).

## **9. 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 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), a direct wholly-owned subsidiary of the Company, 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. As at 31 December 2022, the above matters have not been completed.

Save as disclosed above, the Group did not have any significant investments in, acquisitions or disposal of subsidiaries or affiliated companies or assets during the year ended 31 December 2022.

## **FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES**

We are committed to becoming an internationally leading green decoration comprehensive service provider, through debt restructuring, introducing new investors to enter and invest, resolving debt and liquidity risks, and gaining new life.

### **1. To pay attention to segmented markets and focus on regional development**

The Group will actively respond to the national policy of stimulating economic recovery in infrastructure investment, real estate, and building decoration industries to expand its business, adopt a cautious order strategy, tighten selection criteria against high-quality customers for newly signed orders, empower the Company's building decoration business with technology, and improve the Company's competitiveness. The Group will mainly support and develop businesses in the medical and hotel segments, focusing on the development of the "Guangdong-Hong Kong-Macao Greater Bay Area" to continuously consolidate and highlight its advantages in the segments.

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

The Group will continue to optimize the project management process and improving the efficiency of the project management through business process re-engineering and innovative solution. We will optimize business models, strengthen risk control and liquidity management based on changes in national industry management.

### 3. Enhance talent reserve

The Group will strengthen the construction of corporate culture, optimize the existing personnel of the Company, hire outstanding management and project manager talents in the industry, and create a “market development oriented, business professional, and career enterprising management composite” team.

### 4. Explore new business opportunities

While focusing on developing its core business, the Company will explore new business opportunities and businesses with new investors, expand into new energy and technological innovation sectors, moving from traditional architectural decoration service enterprises to technological innovation fields.

## OTHER INFORMATION

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

During the year ended 31 December 2022, 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 of the Company (the “**Controlling Shareholders**”) have entered into a deed of non-competition dated 16 September 2015 with the Company (the “**Deed of Non-competition**”).

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

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

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

### 3. **Directors' competing interest**

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

### 4. **Compliance with the corporate governance code**

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix 14 to the Listing Rules. The Company has fully complied with all applicable code provisions set out in the CG Code during the year ended 31 December 2022, except code provision C.2.1 of the CG Code as more particularly described below:

Pursuant to the requirements in the code provision C.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 chief executive officer and Mr. Ye Yujing currently performs these two roles, which enables more effective and efficient overall strategic planning for the Group. The Board continues to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole at the current stage. The Company plans to appoint a new chief executive officer.

The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

### 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 2022 and up to the date of this announcement.

Relevant employees who, because of their office in the Company, are likely to be in the relevant 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 during the year ended 31 December 2022.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil).

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.aidewei.cn](http://www.aidewei.cn)) and the 2022 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites of the Stock Exchange and the Company in due course.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company has reviewed with Company's management the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2022.

## **AUDITOR**

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2022 have been agreed by the Company's external auditor, Elite Partners CPA to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Elite Partners CPA 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 Elite Partners CPA on this announcement.

## EVENTS AFTER THE REPORTING PERIOD

### 1. Breaches of the terms of the loan agreements

From 31 December 2022 up to the date of this announcement, the loans amounted to approximately RMB206.29 million in total from 7 banks were due, and the Group failed to repay or renew the due loan. As of the date of this announcement, the accumulated due and outstanding bank loans of the Group involved 8 banks, amounting to approximately RMB229.37 million in total.

According to Rule 13.19 of the Listing Rules, the Group has breached the terms of its loan agreement with the aforementioned banks while the Group has yet to obtain a waiver from these banks in respect of the defaults and aforementioned banks demanded the immediate repayment from the Group.

The Company 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.

### 2. Bankruptcy Restructuring Matters

On 11 August 2023, the Company announced that “Inside Information — Bankruptcy Restructuring Petition” and has received a letter of notification from Yangxi County Kaihui Real Estate Development Co., Ltd.\* (陽西縣凱匯房地產開發有限公司) (“**Kaihui**”). Kaihui considered that the Company has failed to pay the principal amount of RMB6,904,444 and interest as confirmed in the Judicial Confirmatory Judgment from the People’s Court of Futian District, Shenzhen and the Company is currently insolvent. However, as the Company is highly recognized in the industry with a large number of high-quality qualifications, showing that the Company has bankruptcy restructuring value, Kaihui has applied to Shenzhen Intermediate People’s Court (the “**Court**”) for bankruptcy restructuring of the Company on 10 August 2023. For details, please refer to the announcement of the Company dated 14 August 2023.

On 22 September 2023, the Company announced that “the Restructuring Transactions involves, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the proposed issue of new Domestic Shares under the Specific Mandate; (4) the proposed placing of new H Shares under the Specific Mandate; and (5) proposed amendment to the Articles; and continued suspension of trading”. For details, please refer to the announcement of the Company dated 22 September 2023.

On 25 September 2023, the Company announced that “Inside Information — Bankruptcy Restructuring” and has made an application to the Shenzhen Intermediate People’s Court for bankruptcy restructuring. For details, please refer to the announcement of the Company dated 26 September 2023.

The Company 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.

### 3. Resumption Guidance and Continued Suspension of Trading

Under Rule 13.50A of the Listing Rules, in view of the disclaimer of opinion of auditor's report for year 2021 (other than the going concern disclaimer), trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended pending the Company's fulfillment of the Resumption Guidance (as defined below).

On 8 July 2022, the Company received a letter from the Stock Exchange referring to the disclaimer of opinion expressed by the Company's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP on the Company's financial statements for the year ended 31 December 2021 in relation to (a) material uncertainties on going concern; and (b) the Company's account receivables, prepayment and contracts assets (the "**Disclaimer of Opinion**") and the letter set out the following guidance for the resumption of trading in the shares of the Company (the "**Initial Resumption Guidance**"):

- (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A of the Listing Rules; and
- (ii) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

In light of the Company's failure to publish its annual results as at 31 December 2022 before 31 March 2023, the Company received a letter from the Stock Exchange dated 29 March 2023 setting out the additional resumption guidance (the "**Additional Resumption Guidance**"). The Company needs to publish all outstanding financial results and address any audit modifications.

In addition to the Initial Resumption Guidance and the Additional Resumption Guidance, the Company received a letter dated 26 September 2023 from the Stock Exchange setting out the following further additional resumption guidance (the "**Further Additional Resumption Guidance**", together with the Initial Resumption Guidance and the Additional Resumption Guidance, the "**Resumption Guidance**"): the Company has to demonstrate compliance with Rule 13.24 of the Listing Rules.

The Stock Exchange reminded that during a suspension period, the Company should fulfill its obligations and responsibilities as set forth in the Resumption Guidance.

The Company is committed to using its best endeavours to fulfill the Resumption Guidance as soon as practicable, and will make further announcement(s) in relation to the progress of the resumption plan as and when appropriate.

#### **4. Updates on Progress of Resumption**

The Board would like to provide the shareholders of the Company and potential investors with updates on progress of resumption of the Company:

##### ***(1) Disclaimer of opinion on others:***

The Company has published its 2022 annual results announcement on 28 September 2023 and will publish its 2023 interim results announcement on 20 October 2023.

In response to reply letters in the previous year which was insufficient, leading to the issue of disclaimer of opinion, the Company conducted special actions of account receivables, contract assets, prepayments and other receivables. The finance department led the business department to visit the customers' situation and projects, communicated and pressed for payment by phone, Wechat, email and other ways. While initiating legal action against some of the customers with large overdue amount, the Company provided bad debts in full for the customers with extremely difficult operations, which had been deregistered, could not be reached and have a very low possibility of collection of receivables. On the basis of the Company's sortings, the auditor has conducted reviews, reviewed judgments, confirmation, and alternative tests for recovery of subsequent repayment, and obtained sufficient evidence to confirm the accuracy of the current exact amounts of the Company's account receivables, contract assets, prepayments and other receivables after sortings.

##### ***(2) Quarterly updates:***

###### ***(i) Business operations***

The Company is principally engaged in the provision of professional and comprehensive architectural decoration services to public and private customers in China. Affected by the liquidity of the Group, the overall business volume of the Company in 2023 is significantly reduced, but all major production operations are in normal and orderly progress.

*(ii) Liquidity issues*

On 22 September 2023, the Company has announced the Restructuring Transactions involving, inter alia, (i) the Debt Restructuring; (ii) the Capital Reduction; (iii) the proposed issue of new Domestic Shares under the Specific Mandate; (iv) the proposed placing of new H Shares under the Specific Mandate; and (v) proposed amendment to the Articles; and (vi) continued suspension of trading. The Company intends to reduce the Company's debt and finance costs to restore the Company's liquidity through debt restructuring.

*(iii) Actively preparing for pre-restructuring*

On 25 September 2023, the Company has made an application to the Shenzhen Intermediate People's Court for bankruptcy restructuring. The Company will keep its shareholders and potential investors informed of the updated information as and when appropriate.

Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 30 September 2023. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 30 September 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

Save as disclosed above, the Group does not have any material matters that are required to be disclosed from 31 December 2022 up to the date of this announcement.

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

Shenzhen, the PRC, 28 September 2023

*As at the date of this announcement, the Board comprises Mr. Ye Yujing, Ms. Ye Xiujin, Mr. Ye Guofeng and Mr. Ye Jiajun as executive Directors; Mr. Zhuang Liangbin as non-executive Director; and Mr. Cai Huiming, Mr. Sun Changqing, Mr. Lin Zhiyang and Mr. Zhou Wanxiong as independent non-executive Directors.*

\* For identification purpose only