ADWAY

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	For the six months ended 30 June		
	2023	2022	**Change**
	(Unaudited)	(Unaudited)	
Revenue	**43.79**	104.83	-58.23%
Gross Profit	**6.96**	24.28	-71.33%
Gross Profit Margin	**15.89%**	23.16%	-31.39%
Loss for the Period	**64.24**	(91.76)	170.01%
Net Loss Margin	**146.70%**	-87.54%	267.58%
Basic and *diluted loss per share (RMB)*	**0.27**	(0.38)	171.05%

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Adway Construction (Group) Holdings Company Limited* (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with the figures for the corresponding period in 2022. These unaudited interim condensed consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	4	**43,794**	104,830
Cost of sales		**(36,835)**	(80,553)
Gross profit		**6,959**	24,277
Selling and marketing expenses		**(854)**	(1,440)
Administrative expenses		**(6,826)**	(14,568)
Net impairment losses on financial and contract assets		**39,372**	(83,625)
Other expenses — net		**38,231**	(8,122)
Operating loss		**76,882**	(83,478)
Finance income		**31**	65
Finance costs		**(11,348)**	(8,351)
Finance costs — net		**(11,317)**	(8,286)
Loss before income tax		**65,565**	(91,764)
Income tax expense	5	**(1,322)**	—
Loss for the period		**64,243**	(91,764)
Other comprehensive income		**—**	—
Total comprehensive expenses for the period		**64,243**	(91,764)
Total profit and comprehensive expenses attributable to:			
Owners of the Company		**64,243**	(91,764)
Loss per share			
— Basic and diluted *(RMB)*	6	**0.27**	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**45,586**	46,757
Right-of-use-assets		**—**	—
Investment properties		**537**	559
Intangible assets		**8,361**	8,495
Other receivables		**—**	—
		54,484	55,811
Current assets			
Contract assets		**2,892**	5,524
Trade receivables	*7*	**26,993**	37,212
Prepayments and other receivables		**10,090**	15,441
Restricted bank balances		**7,853**	11,876
Cash and cash equivalents		**431**	1,006
Total assets		**48,259**	71,059
EQUITY			
Equity attributable to owners of the Company			
Share capital		**240,931**	240,931
Reserves		**(808,156)**	(872,400)
Total equity		**(567,225)**	(631,469)

	Notes	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**—**	—
Deferred revenue		**1,340**	1,412
Provision		**—**	—
		1,340	1,412
Current liabilities			
Trade and other payables	*8*	**396,511**	483,874
Contract liabilities		**364**	—
Borrowings	*9*	**240,272**	241,572
Provision		**31,481**	31,481
		668,628	756,927
Total liabilities		**669,968**	758,339
Total equity and liabilities		**102,743**	126,870
Net current assets		**(620,369)**	(685,868)
Total assets less current liabilities		**(565,885)**	(630,057)
Net assets		**(567,225)**	(631,469)

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.

Scope of consolidated financial statements

As of 30 June 2023, the subsidiaries in the scope of consolidated financial statements of the Company are as follows:

Name of the subsidiaries

Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Huidong Yip's Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

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

As of 30 June 2023, the Group's net profit was approximately RMB64,244,675, and as at 30 June 2023, the Group had net current liabilities and net liabilities of approximately RMB620,368,923 and RMB567,225,204, respectively. As at 30 June 2023, the Group had borrowings and cash and cash equivalents of approximately RMB240,272,290 and RMB386,954, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors of the Company will adopt certain plans and measures 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 obtaining 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 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 half year ended 30 June 2023.

2.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the 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

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

The application of the amendments to HKFRSs in the current half 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 the reporting period as of 30 June 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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 six months ended 30 June 2023.

As at 30 June 2023, all of the non-current assets were located in the PRC.

4. REVENUE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from construction contracts	**43,717**	104,405
Sales of goods, design and other income	**77**	425
Total	**43,794**	104,830

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— PRC enterprise income tax	**1,322**	—
Deferred income tax	**—**	—
	1,322	—

6. EARNINGS(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 six months ended 30 June 2023 and 2022.

	For the six months ended 30 June	
	2023	2022
Earnings(loss) attributable to owners of the Company *(RMB'000)*	**64,243**	(91,764)
Weighted average number of ordinary shares in issue *(thousand shares)*	**240,931**	240,931
Basic earnings(loss) per share *(RMB)*	**0.27**	(0.38)

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022. Diluted earnings(loss) per share for the six months ended 30 June 2023 and 2022 are the same as the basic earnings(loss) per share.

7. TRADE RECEIVABLES

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade receivables	**766,752**	789,074
Less: provision for impairment of trade receivables	**(739,759)**	(751,862)
Trade receivables — net	**26,993**	37,212
Notes receivable	**—**	—
	26,993	37,212

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

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Within 1 year	**206,285**	169,835
1 year to 2 years	**164,403**	174,122
2 years to 3 years	**38,621**	40,055
3 years to 4 years	**236,970**	279,822
4 years to 5 years	**30,043**	30,722
Over 5 years	**90,430**	94,518
	766,752	789,074

8. TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Trade payables	**306,869**	413,983
	306,869	413,983
Other tax payable	**13,333**	11,792
Payroll payable	**3,019**	2,307
Other payables	**73,290**	55,792
	396,511	483,874

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

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Within 1 year	**133,751**	163,933
1 year to 2 years	**65,987**	56,082
2 years to 3 years	**34,675**	67,282
Over 3 years	**72,456**	126,686
	306,869	413,983

9. BORROWINGS

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Bank borrowings — secured or pledged	**205,742**	205,742
Bank borrowings — unsecured	**23,630**	23,630
Other borrowings — secured or pledged	**10,000**	10,000
Other borrowings — unsecured	**900**	2,200
	240,272	241,572

As at 30 June 2023 and 31 December 2022, all of the Group's borrowings are repayable within one year and denominated in RMB. The weighted average effective interest rate as at 30 June 2023 was 9.42% (2022: 8.08%) per annum.

10. DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2023 is a year full of challenges and changes. Since the second half of 2021, the real estate industry in China has been severely affected. The real estate industry and related industries have been hit by new incidents of debt crisis. The real estate industry has been in a downturn and has continued to show its momentum. 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, and the building decoration industry to which the Group belongs has also been seriously affected.

On the other hand, although the PRC economy is facing tremendous challenges, there is huge growth potential. 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 subsist. 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 continuous impact of the Company's bank debt default, capital chain rupture, lack of solvency and increasing number of litigation cases, the business continued to be substantially reduced in the first half of 2023.

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 58.23% from approximately RMB104.83 million for the six months ended 30 June 2022 to approximately RMB43.79 million for the six months ended 30 June 2023. Such decrease was mainly due to the significant decrease in contract value in 2022.

The Group's gross profit decreased by 71.33% from approximately RMB24.28 million for the six months ended 30 June 2022 to approximately RMB6.96 million for the six months ended 30 June 2023. The gross profit margin decreased from 23.16% for the six months ended 30 June 2022 to 15.89% for the six months ended 30 June 2023.

Loss for the period

There is a turnaround from loss to profit for the Reporting Period and the profit for the period amounted to approximately RMB64.24 million for the six months ended 30 June 2023, which was mainly due to the settlement of accounts payable that are not required to be paid and the reversal of the impairment loss provided.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2023 and 31 December 2022, the Group's monetary capital (including cash and cash equivalents and restricted cash) amounted to approximately RMB8.28 million and RMB12.88 million, respectively. The decrease in the Group's monetary capital was mainly due to the repayment of certain personal loans and the payment of daily expenses; the Company is unable to obtain new external financing due to its debt default; 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 RMB37.21 million for the year ended 31 December 2022 to approximately RMB26.99 million for the six months ended 30 June 2023. The trade receivables are the amounts due from customers in the ordinary course of business. In view of the slowdown in China's economic growth, the substantial increase in defaults in the real estate industry and the significant increase in the Company's defaulting customers, the Group has made 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 RMB5.52 million as at 31 December 2022 to approximately RMB2.89 million as at 30 June 2023. In view of the slowdown in China's economic growth, the substantial increase in defaults in the real estate industry and the significant increase in the Company's defaulting customers, the Group has made sufficient 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 RMB483.87 million as at 31 December 2022 to approximately RMB396.51 million as at 30 June 2023, which was mainly due to the settlement with suppliers and the clearance of accounts payable that were not required to be paid for the Reporting Period.

3. Borrowings

As at 30 June 2023, the Group had borrowings in the amount of approximately RMB240.27 million (31 December 2022: approximately RMB241.57 million), majority of which are interest-bearing bank borrowings. The Group's bank borrowings were all at fixed interest rates. As at 30 June 2023, the weighted average effective interest rate was 9.42% (2022: 8.08%) per annum.

In terms of bank borrowings, as at the date of this announcement, the total outstanding bank borrowings due were RMB229.37 million. Among such outstanding bank borrowings, 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 (24G and 24H of Daqing Building, Shenzhen, the properties held by the Company, and 23G and 23H of Daqing Building, Shenzhen, the properties held by Ye Xiujin) respectively, the proceeds after the completion of the auction on 19 September 2023 were returned to Bank of China as repayment of bank borrowings (principal) of RMB6.35 million.

4. Pledged assets

As at 30 June 2023, the Group's short-term borrowing was secured and pledged by fixed asset of approximately RMB39.11 million in total (31 December 2022: RMB40.18 million), investment property of approximately RMB0.54 million in total (31 December 2022: RMB0.56 million) and guaranteed by certain connected persons.

5. Gearing ratio

The gearing ratio was 652.08% as at 30 June 2023 while the ratio as at 31 December 2022 was 597.73%, which was mainly due to further provisions made for the Group's trade receivables and contract assets.

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

For the six months ended 30 June 2023, the Group had no capital expenditure (31 December 2022: Nil), which mainly attributable to the fact that the Group devoted to controlling its capital expenditure since 2022.

7. Capital commitments

As at 30 June 2023, the Group had no capital commitments (31 December 2022: nil).

8. Contingent liabilities

As at 30 June 2023, 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 RMB7.90 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.

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 30 June 2023, the above transactions 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 six months ended 30 June 2023.

11. Employees and remuneration policy

As at 30 June 2023, the Group had 54 employees (as at 31 December 2022: 70). During the six months ended 30 June 2023, the Group incurred employee costs of approximately RMB3.59 million (six months ended 30 June 2022: approximately RMB8.7 million). Directors, supervisors and senior management of the Company receive compensation in the form of fees, salaries, allowances, discretionary bonuses, defined contribution pension plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses its Directors, supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company.

In addition, the Group determines salaries based on each employee's qualifications, position and seniority, and implements systematic and targeted vocational training for employees of different levels on a regular basis and in combination with daily work to meet different requirements, and attaches importance to individual initiative and responsibility. The Group makes contributions to mandatory social security funds for the benefit of employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

The Group is 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 Reporting Period, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

2. **Compliance with the corporate governance code**

The Board comprises four executive Directors, one non-executive Director and four 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has fully complied with all applicable code provisions set out in the CG Code during the Reporting Period, 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 Board will review the corporate governance policies and compliance with the CG Code each financial year.

3. 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 during the Reporting Period.

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 relevant 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 Reporting Period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aidewei.cn) and the interim Report for the six months ended 30 June 2023 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 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 interim results of the Group for the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

1. Breaches of the terms of the loan agreements

From 30 June 2023 up to the date of this announcement, the loans amounted to approximately RMB229.37 million in total from 8 banks were due, and the Group failed to repay or renew the due loan.

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 loan principal 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.

On 28 September 2023, the Company announced that "Announcement of Annual Results for the Year Ended 31 December 2022". For details, please refer to the announcement of the Company dated 28 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 of 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.

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 expired on 30 September 2023. The Company is endeavouring to carry out various remedial measures. 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 as soon as possible, 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 30 June 2023 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, 20 October 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*