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 2023

FINANCIAL HIGHLIGHTS

(in RMB million, unless otherwise stated)

	Year ended 31 December		
	2023	2022	**Changes**
Revenue	**61.37**	189.11	(67.55%)
Gross profit	**8.09**	27.90	(71.00%)
Gross Profit Margin	**13.18%**	14.75%	(10.64%)
Loss for the year	**(16.50)**	(975.00)	(98.31%)
Net Loss Margin	**(26.89%)**	(515.57%)	488.68%
Basic and diluted loss per share *(RMB)*	**(0.07)**	(4.05)	(98.27%)

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Adway Construction (Group) Holdings Company Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of last year. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	4	**61,366**	189,111
Cost of sales		**(53,281)**	(161,216)
Gross profit		**8,085**	27,895
Selling and marketing expenses		**(1,895)**	(2,464)
Administrative expenses		**(21,844)**	(44,054)
Net impairment losses on financial and contract assets		**18,769**	(899,178)
Other income/(loss) — net		**11,938**	(37,777)
Operating loss		**15,053**	(955,578)
Finance income		**43**	91
Finance costs		**(30,276)**	(19,517)
Finance costs — net		**(30,233)**	(19,426)
Loss before income tax		**(15,180)**	(975,004)
Income tax expense	5	**(1,322)**	—
Loss and total comprehensive expense for the year		**(16,502)**	(975,004)
Total loss and comprehensive expense attributable to:			
Owners of the Company		**(16,502)**	(975,004)
Loss per share			
— Basic and diluted *(RMB)*	6	**(0.07)**	(4.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**44,410**	46,757
Right-of-use-assets		**8,218**	8,495
Investment properties		**—**	559
Intangible assets		**—**	—
		52,628	55,811
Current assets			
Contract assets		**—**	5,524
Trade receivables	8	**23,593**	37,212
Other receivables		**7,117**	15,441
Restricted bank balances		**9,352**	11,876
Cash and cash equivalents		**876**	1,006
		40,938	71,059
Total assets		**93,566**	126,870

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**240,931**	240,931
Reserves		**(888,902)**	(872,400)
Total equity		**(647,971)**	(631,469)
LIABILITIES			
Non-current liabilities			
Deferred revenue		**1,340**	1,412
		1,340	1,412
Current liabilities			
Trade and other payables	9	**447,825**	483,742
Income tax payable		**1,096**	132
Borrowings	10	**240,705**	241,572
Provision		**50,571**	31,481
		740,197	756,927
Total liabilities		**741,537**	758,339
Net current liabilities		**(699,259)**	(685,868)
Total assets less current liabilities		**(646,631)**	(630,057)
Net liabilities		**(647,971)**	(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.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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. 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 RMB16,502,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB699,259,000 and RMB647,971,000 respectively. As at 31 December 2023, the Group's borrowings was approximately RMB240,705,000, while the Group had cash and cash equivalents of approximately RMB876,000. These conditions indicate the existence of material uncertainties 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 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 communicating and negotiating with the Court, creditors and potential investors to seek debt restructuring, reduce debt, lower finance costs and obtain new funding to support the operation of the Group.

(ii) The Group actively communicates fully with customers and material suppliers/labour subcontractors to obtain customers' support in settlement and to prioritise the payment of project works to ensure that the works under implementation can be carried out smoothly.

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 2023.

2.3 New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for their annual reporting period commencing on 1 January 2023 for preparation of consolidated financial statements:

HKFRS 17 (including the June 2020 and December 2021 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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 except as described below.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.4 Amendments to standards in issue but not yet effective

The following amendments to standards have been issued but are not yet effective:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

The Group has already commenced an assessment of the impact of these 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 2023 and 2022.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

4. REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from construction contracts	**61,221**	181,904
Sales of goods,design and other income	**145**	7,207
Total	**61,366**	189,111

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Adjustments for current tax of prior years	**(1,322)**	—
Total	**(1,322)**	—

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 2023 and 2022.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss attributable to owners of the Company *(RMB'000)*	**(16,502)**	(975,004)
Weighted average number of ordinary shares in issue *(thousand shares)*	**240,931**	240,931
Basic earnings per share *(RMB)*	**(0.07)**	(4.05)

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2023 and 2022. Diluted earnings per share for the year ended 31 December 2023 and 2022 are the same as the basic earnings per share.

7. DIVIDENDS

The board of directors did not recommend the payment of any final dividend in respect of the year ended 31 December 2023 and 2022.

8. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**758,468**	789,074
Less: provision for impairment of trade receivables	**(745,351)**	(751,862)
Trade receivables — net	**13,117**	37,212
Notes receivable	**10,476**	—
	23,593	37,212

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**71,872**	169,835
1 year to 2 years	**132,905**	174,122
2 years to 3 years	**159,512**	40,055
3 years to 4 years	**35,334**	279,822
4 years to 5 years	**247,077**	30,722
Over 5 years	**122,244**	94,518
	768,944	789,074

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**340,522**	413,983
	340,522	413,983
Other tax payable	**14,113**	11,660
Payroll payable	**3,340**	2,307
Other payables	**89,850**	55,792
	447,825	483,742

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**30,529**	163,933
1 year to 2 years	**137,392**	56,082
2 years to 3 years	**42,140**	67,282
Over 3 years	**130,461**	126,686
	340,522	413,983

10. BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings — secured or pledge	**126,655**	175,742
Bank borrowings — unsecured	**53,597**	53,630
Other borrowings — secured or pledge	**59,603**	10,000
Other borrowings — unsecured	**850**	2,200
	240,705	241,572

As at 31 December 2023 and 2022, 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 2023 was 9.93% (2022: 8.08%) 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 2023, 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 material accounting policy information. We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the paragraph headed "Basis for Disclaimer of Opinion" in this announcement, 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. Material uncertainties relating to going concern

As described in note 2.2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB16,502,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB699,259,000 and RMB647,971,000 respectively. As at 31 December 2023, the Group's borrowings were approximately RMB240,705,000, while the Group had cash and cash equivalents of approximately RMB876,000. These conditions, along with other matters as described in note 2.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on 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 note 2.2 to the consolidated financial statements, including but not limited to (i) the Group is currently communicating and negotiating with the Court, creditors and potential investors to seek debt restructuring, reduce debt, lower finance costs and obtain new funding to support the operation of the Group; (ii) the Group actively communicates fully with customers and material suppliers/labour subcontractors to obtain customers' support in settlement and to prioritise the payment of project works to ensure that the works under implementation can be carried out smoothly.

The consolidated financial statements of the Group 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 2023 and the consolidated financial performance and cash flows of the Group for the year ended 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

2. Comparative information

The consolidated financial statements for the year ended 31 December 2022 (the basis of the comparative figures presented in the consolidated financial statements for the year ended 31 December 2023) included a disclaimer of opinion on the Group's results due to the fact that we were unable to obtain audit evidence for the year in which we incurred credit impairment losses on trade and other receivables and contractual assets, which formed the basis for the disclaimer of opinion on the consolidated financial statements for the year ended 31 December 2022 but the scope limitations no longer affect the current year figures in the consolidated financial statements for the year ended 31 December 2023. However, the comparative figures presented in the Consolidated Statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity may contain material misstatements and therefore may not be comparable with the current year figures.

Due to the significance and pervasiveness of these matters, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the consolidated financial statements. Accordingly, we disclaim our opinion on the accompanying consolidated financial statements of the Group for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2023 is a year full of challenges and changes. Facing serious challenges and a host of debt risks in the real estate and other related industries, China's sluggish domestic real estate industry has not been improved since the second half of 2021. Under the pressure from the ongoing Sino-U.S. 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 where the Group operates has also been severely affected.

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 the co-existence of opportunities and challenges.

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 operation 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, and the increase in litigation cases, the business in 2023 was significantly reduced.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 67.55% from approximately RMB189.11 million for the year ended 31 December 2022 to approximately RMB61.37 million for the Reporting Period. The decrease in revenue was mainly due to the significant decrease in the contract value in 2023 as impacted by such factors as the slowdown of domestic economy, surging default events in the real estate sector, and the Company's bank debt default and capital chain rupture.

The Group's gross profit decreased by 70.97% from approximately RMB27.90 million for the year ended 31 December 2022 to approximately RMB8.09 million for the Reporting Period. The Group's gross profit margin decreased from 14.75% for the year ended 31 December 2022 to 13.18% for the Reporting Period, which was mainly due to the increased costs.

Loss for the year

Loss for the year of the Group decreased by 98.31% from approximately RMB975.00 million for the year ended 31 December 2022 to approximately RMB16.50 million for the Reporting Period, which was mainly due to the fact that during the year ended 31 December 2022, the Company conducted a comprehensive reconciliation and clean-up of assets such as accounts receivable, other receivables and contract assets, and recognised a large amount of impairment of financial assets, resulting in a significant loss. For the year ended 31 December 2023, the Company strictly controlled administrative expenses and paid close attention to the collection of accounts receivable and other receivables, resulting in a significant decrease in the Group's loss.

LIQUIDITY AND CAPITAL RESOURCES

As at the end of the Reporting Period and 31 December 2022, the Group's monetary capital (comprising cash and cash equivalents and restricted cash) were approximately RMB10.23 million and RMB12.88 million, respectively. The decrease in the Group's monetary funds was mainly due to the repayment of certain borrowings provided by independent third parties and the payment of daily expenses, the default of the Company's debts and the Company's inability to obtain new external financing. The Company's accounts were frozen. In order to ensure the completion of projects, the Company mainly adopted measures such as direct payment by customers to suppliers.

On 22 September 2023, the Company announced the "Restructuring Transactions Involving, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the Proposed Issue of New Domestic Shares under the Domestic Shares Specific Mandate; (4) the Proposed Placing of New H Shares under the H Shares Specific Mandate; and (5) the Proposed

Amendment to the Articles; and Continued Suspension of Trading". The Company intends to utilise 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

Trade receivables of the Group decreased from approximately RMB37.21 million for the year ended 31 December 2022 to approximately RMB23.59 million at the end of the Reporting Period. This was mainly due to the Group's strengthened management of the collection of trade receivables.

Contract assets of the Group decreased from approximately RMB5.52 million as at 31 December 2022 to approximately RMB0 million as at the end of the Reporting Period. This was mainly due to the Group's strengthened management of the collection of contract assets.

2. Trade and other payables

The trade and other payables of the Group decreased from approximately RMB483.87 million as at 31 December 2022 to approximately RMB448.92 million as at the end of the Reporting Period, 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 the end of the Reporting Period, the Group had borrowings in the amount of approximately RMB240.71 million (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 the end of the Reporting Period, the weighted average effective interest rate was 9.93% (2022: 8.08%) per annum.

In terms of bank borrowings, as at the date of this announcement, the total outstanding bank borrowings due were RMB222.95 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. The Company received the notice of assignment and demand of creditor's rights signed by Bank of Shanghai Co., Ltd. ("**Bank of Shanghai**") and China Cinda Asset Management Co., Ltd., Shenzhen Branch ("**Cinda Asset**") on 21 June 2023, pursuant to which Bank of Shanghai transferred its legally-owned creditor's rights and guarantee rights of the borrowers and guarantors to Cinda Asset. The original contract contents remain unchanged. The Company shall fulfill the principal debt and interest repayment obligations and the corresponding security obligations stipulated in the guarantee contract to Cinda Asset as of the date of the receipt of the notice.

4. Pledged assets

As at the end of the Reporting Period, the Group's borrowing was secured and pledged by fixed asset of approximately RMB38.35 million in total (2022: approximately RMB40.18 million), and guaranteed by certain connected persons.

5. Gearing ratio

The gearing ratio was 792.53% as at the end of the Reporting Period (2022: 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.

6. Capital expenditure

During the Reporting Period, the Group had no capital expenditure (2022: Nil).

7. Capital commitments

As at the Reporting Period, the Group had no capital commitment (2022: Nil).

8. Contingent liabilities

As at the end of the Reporting Period, due to financial constraints, overdue bank borrowings and involvement in a number of litigations, the bank deposits of the Group with a total value of RMB9.35 million have been frozen by the courts in the PRC.

According to the Group's in-house legal adviser, the Directors estimated that, apart from the borrowings, trade and other payables as at the end of the Reporting Period, the Group may therefore be liable for payables, interest and default of approximately RMB50.57 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 the RMB exchange rate and other foreign exchange fluctuations will have a material impact on the business operations or financial results of the Group.

The Group currently has no hedging policy with respect to the foreign exchange risks. Therefore, the Group has not entered into any hedging transactions to manage potential fluctuations in foreign currencies.

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

On 21 October 2021, the Company (as the 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 the end of the Reporting Period, 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 Reporting Period.

11. Employee and remuneration policy

As at the end of the Reporting Period, the Group had 50 employees (2022: 70). During the Reporting Period, the Group incurred employee costs of approximately RMB6.29 million (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, while attaching importance to individual initiative and responsibility. The Group makes contributions to mandatory social security funds for the benefit of employees, including the 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 comprehensive green decoration service provider. The Group revives by actively introducing new investors and investment to resolve the debt risk and liquidity risks faced by the Group.

1. The Company revives through debt restructuring.

The Company was in the process of debt restructuring: on 22 September 2023, the Company announced the "Restructuring Transactions Involving, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the Proposed Issue of New Domestic Shares under the Domestic Shares Specific Mandate Shares under the Specific Mandate; (4) the Proposed Placing of New H Shares under the H Shares Specific Mandate; and (5) the Proposed Amendment to the Articles; and Continued Suspension of Trading".

The Company was in the process of debt restructuring: on 25 September 2023, the Company announced the "Inside Information — Bankruptcy Restructuring" and on 25 September 2023, the Company made an application to the Shenzhen Intermediate People's Court for bankruptcy restructuring.

The Company released an inside information announcement on 27 October 2023, regarding the latest situation of the Company's application for bankruptcy restructuring, and the Shenzhen Intermediate People's Court accepted the Company's application with the case No. (2023) Yue 03 Po Shen 926.

As at the date of this announcement, the Company is at the stage of prior communication on whether the Shenzhen Intermediate People's Court will accept the Company's bankruptcy restructuring. The Company and its bankruptcy restructuring lawyers are in continuing and positive communication with the Shenzhen Intermediate People's Court for early access to the Shenzhen Intermediate People's Court's pre-restructuring decision. Once the Company's debt restructuring is successful, there will be an opportunity to reduce the Company's debt, alleviate its finance cost, and improve its operations, and enable the Company to revive.

2. Focusing on regional development and paying attention to segmented markets

The Group will respond to the national policy of stimulating economic recovery in infrastructure investment, real estate, and building decoration industries to expand its business. The Group will tighten the selection criteria against high-quality customers for newly signed orders. The Group will also empower its building decoration business with technology to improve its competitiveness. In addition, the Group will mainly support and develop business 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.

While focusing on developing its core business, the Group will explore new business opportunities and business with new investors, and expand into new energy and technological innovation sectors, moving from the traditional building decoration service field to the technological innovation field.

OTHER INFORMATION

1. Purchases, sales or redemptions 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. 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 business. 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 business, 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 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 C1 (formerly known as Appendix 14) to the Listing Rules. The Company 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 Company did not have a separate chairman and chief executive officer before 20 October 2023, and Mr. Ye Yujing performed these two roles during the period, which enabled more effective and efficient overall strategic planning for the Group in the opinion of the Board. However, due to the promotion of the Company's projects such as share resumption, bankruptcy restructuring and debt restructuring in the current stage, Mr. Ye Yujing has ceased to act as the chief executive officer of the Company with effect from 20 October 2023, in order to better achieve the objectives based on the division of labor. Mr. Wu Jianzhang has been appointed as the chief executive officer of the Company with effect from 20 October 2023.

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 C3 (formerly known as 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 inquiries, all Directors and Supervisors of the Company confirmed that they had 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 the relevant possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance with the Model Code by the relevant employees was noted by the Company during the Reporting Period.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the 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 2023.

AUDITOR

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2023 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 2023. The work performed by Elite Partners CPA in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagement or the 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 the end of the Reporting Period and up to the date of this announcement, the loans of the Group amounted to approximately RMB240.71 million in total from 8 banks, 1 company and 3 individuals 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 and other lenders, while the Group has yet to obtain a waiver from these banks and other lenders in respect of the defaults. The aforementioned banks and other lenders demanded the immediate repayment from the Group.

On 27 February 2024, the People's Court of Luohu District of Shenzhen City, Guangdong Province issued to the Company a notice of auction on the debt-secured assets (39,406.27 square meters of the land use right of the guarantor, Huidong Yip's Development Company Limited* (惠東葉氏實業發展有限公司), located in Taiyang'ao Industrial City, Baihua Town, Huidong County, Huizhou City, Guangdong Province), in respect of which the amount of debt default applied by Luohu Sub-branch of Shenzhen Rural Commercial Bank Co., Ltd. was approximately RMB30.00 million.

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.

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) and the Company (www.aidewei.cn), and the 2023 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.

By order of the Board
Guangdong Adway Construction (Group) Holdings Company Limited*
Mr. Ye Yujing
Chairman

Shenzhen, the PRC, 28 March 2024

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 the 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*