廣東愛得威建設(集團)股份有限公司

ADWAY GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 6189

Interim Report 2024

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生)
(Chairman, appointed as the Chief Executive Officer on 16 August 2024)
Mr. YE Jiajun (葉家俊先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)

Non-executive Director

Mr. ZHUANG Liangbin (莊良彬先生)

Independent Non-executive Directors

Mr. CAI Huiming (蔡慧明先生)
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生)
Mr. ZHOU Wanxiong (周萬雄先生)

SUPERVISORS

Mr. LI Rui (李銳先生)
Mr. LIU Yi (劉毅先生)
Ms. LIN Jinhao (林錦好女士) *(Appointed on 28 June 2024)*
Mr. YE Weizhou (葉偉周先生) *(Resigned on 28 June 2024)*

AUDIT COMMITTEE

Mr. CAI Huiming (蔡慧明先生) *(Chairman)*
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生)

NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) *(Chairman)*
Mr. YE Yujing (葉玉敬先生)
Mr. SUN Changqing (孫常青先生)

REMUNERATION COMMITTEE

Mr. SUN Changqing (孫常青先生) *(Chairman)*
Mr. YE Guofeng (葉國鋒先生)
Mr. CAI Huiming (蔡慧明先生)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3rd Floor, Pengyi Garden Building 1
Bagua No.1 Road
Futian District
Shenzhen, China

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Jiajun (葉家俊先生)
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生)

AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)
Mr. LEE Leong Yin (李亮賢先生)

AUDITOR

Elite Partners CPA Limited

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

PRINCIPAL BANKS

Bank of China
China Construction Bank

COMPANY SECRETARIES

Mr. LEE Leong Yin (李亮賢先生)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

STOCK CODE

6189

COMPANY'S WEBSITE

www.aidewei.cn

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 (the "**Reporting Period**"), together with the figures for the corresponding period in 2023. These unaudited interim condensed consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

MARKET REVIEW

2024 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 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 27 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, the national economy is still laying low, and the timing of economic recovery is still unclear. There is a significant gap between the current economic expectations and the earlier prediction of a "slow improvement and gradual recovery". The national real estate industry regulation policies have a particularly significant impact on the construction and installation industry. 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 2024.

On 30 May 2024, the Company, as the contractor, signed the "Design, Procurement and Construction General Contract" (《設計採購施工總承包合同》) with the employer, Waste-free New Energy (Shanwei) Co., Ltd.* (無廢新能源（汕尾）有限公司) to build a "waste-free green energy comprehensive super charging station" project in Shanwei Middle Avenue, Hongcao Town, Shanwei City (south of Shanwei Yatailong Food Co., Ltd.* (汕尾雅泰隆食品有限公司) and north of Changqing Road) with a contract price of RMB600 million, which is scheduled to start on 1 October 2024.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 87.36% from approximately RMB43.79 million for the six months ended 30 June 2023 to approximately RMB5.53 million for the six months ended 30 June 2024. Such decrease was mainly due to the significant decrease in contract value.

The Group's gross profit decreased by 98.72% from approximately RMB6.96 million for the six months ended 30 June 2023 to approximately RMB0.09 million for the six months ended 30 June 2024. The gross profit margin decreased from 15.89% for the six months ended 30 June 2023 to 1.61% for the six months ended 30 June 2024.

Loss for the period

The Group's loss for the six months ended 30 June 2024 was approximately RMB8.52 million, which was mainly because the revenue was insufficient to cover administrative expenses and finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2024 and 31 December 2023, the Group's monetary capital (including cash and cash equivalents and restricted cash) amounted to approximately RMB9.43 million and RMB10.23 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 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. As at the date of this report, the aforementioned subscription of Domestic Shares and the placing of H Shares have not been carried out.

1. Trade receivables and contract assets

The trade receivables decreased from approximately RMB23.59 million for the year ended 31 December 2023 to approximately RMB14.32 million for the six months ended 30 June 2024. 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 the significant increase in defaults by the Company's customers, the Group has made provisions in relation to all projects of which certain settlement and payment processes have been delayed after due consideration.

2. Trade and other payables

The trade and other payables decreased from approximately RMB448.92 million for the year ended 31 December 2023 to approximately RMB439.11 million for the six months ended 30 June 2024, which was mainly due to the settlement with suppliers and the clearance of accounts payable that were not required to be paid during the period.

3. Borrowings

As at 30 June 2024, the Group had borrowings in the amount of approximately RMB225.58 million (31 December 2023: approximately RMB240.71 million), majority of which are interest-bearing bank borrowings. The Group's bank borrowings were all in RMB at fixed interest rates. As at 30 June 2024, the weighted average effective interest rate was 9.21% (2023: 9.93%) per annum.

In terms of bank borrowings, as at the date of this report, the total outstanding bank borrowings due were RMB217.83 million. Among such outstanding bank borrowings, 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. As of 30 June 2024, the above auction has been completed.

4. Pledged assets

As at 30 June 2024, the Group's short-term borrowing was secured and pledged by fixed asset of approximately RMB37.44 million in total (31 December 2023: RMB38.35 million) and guaranteed by certain connected persons.

5. Gearing ratio

The gearing ratio was 1,070.58% as at 30 June 2024 while the ratio as at 31 December 2023 was 792.53%, 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 assets are 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 2024, the Group had no capital expenditure (2023: Nil).

7. Capital commitments

As at 30 June 2024, the Group had no capital commitments (2023: Nil).

Since its establishment, the Company has not conducted business overseas. As at 30 June 2024, the Group did not have any overseas debt commitments.

8. Contingent liabilities

As at 30 June 2024, due to financial constraints, overdue bank borrowings and involvement in a number of litigations, the bank deposits of the Group with the total amount of approximately RMB8.95 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 be liable for payables, interest and default of approximately RMB58.14 million in total as a result of the litigation and provision for such amount has been made.

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

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 2024.

11. Employees and remuneration policy

As at 30 June 2024, the Group had 39 employees (as at 31 December 2023: 50). During the six months ended 30 June 2024, the Group incurred employee costs of approximately RMB3.02 million (six months ended 30 June 2023: approximately RMB3.59 million). Directors, supervisors and senior management of the Company receive compensation in the form of fees, salaries, allowances, discretionary bonuses, defined pension contribution 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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-acceptance 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 improve 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, and expand into new energy and technological innovation sectors, moving from traditional architectural decoration service enterprises to technological innovation fields.

EXISTING MAJOR PROJECT CONTRACTS OF THE COMPANY

As of the date of this report, the Group's major projects were as follows:

No.	Customer and Project Name	Project Address (China)	Construction Unit	Contract Amount *(RMB'000)*	Construction Content	Construction Period (Months)
1	Renovation Project of Commercial Podium Shops at Jieshun Technology Center (捷順科技中心商業裙樓商鋪改造工程)	Jieshun Technology Center, No. 5 Guansheng 2nd Road, Luhu Community, Guanhu Street, Longhua District, Shenzhen	Shenzhen Jieshun Science and Technology Industry Co., Ltd. (深圳市捷順科技實業股份有限公司)	154	Renovation and Decoration	4
2	Renovation Project of Wuzhou Business Hotel (五洲商務酒店翻新改造工程)	No. 30, Songrui Road, Songgang Street, Bao'an District	Shenzhen Bao'an Songgang Wuzhou Business Hotel (深圳市寶安區松崗五洲商務賓館)	4,500	Renovation and Decoration	5
3	Renovation Project of Huozhou Coal and Electricity Sanjiaogou Coal Mine Shaft Command Office (霍州煤電三交河煤礦井專案指揮部裝修工程)	Room 0807, 8/F, No. 1 Building, No. 1 Huguang Middle Street, Wangjing, Chaoyang District, Beijing	Beijing Gemexi New Materials Technology Development Co., Ltd. (北京格美西新材料科技開發有限公司)	10,000	Renovation and Decoration	5
4	Office Building Renovation of Zhongjian Huafu Jincheng Phase 2 (中建華府錦城二期寫字樓裝修)	22/F, No. 269 Tianfu Second Street, Chengdu	Sichuan Zhongsheng Ruitai Business Services Co., Ltd. (四川中晟瑞泰商務服務有限公司)	6,800	Renovation and Decoration	12
5	Jieshun Technology Center Garbage Room Project (捷順科技中心垃圾房工程)	Jieshun Technology Center, No. 5 Guansheng 2nd Road, Lu Lake Community	Shenzhen Jieshun Science and Technology Industry Co., Ltd. (深圳市捷順科技實業股份有限公司)	808	Renovation and Decoration	3
6	Renovation Project of Li Lang Office (李朗辦公室裝修工程)	12/F, Building A3, Lilang International Jewelry Park, No. 31 Bulan Road, Nanwan Street, Longgang District	Shenzhen Xinghuo Guoxue Culture Technology Co., Ltd. (深圳市星火國學文化科技有限公司)	6,500	Renovation and Decoration	4
7	Renovation Project of 13th Floor, Block B, Jieshun Technology Center (捷順科技中心B座13樓裝飾改造工程)	Jieshun Technology Center, No. 5 Guansheng 2nd Road, Lu Lake Community	Shenzhen Jieshun Science and Technology Industry Co., Ltd. (深圳市捷順科技實業股份有限公司)	1,270	Renovation and Decoration	2
8	Renovation Project of Yangxi Yifang Hotel (陽西壹方大酒店裝修工程)	No. 23–1, Qionglin Fifth Street, Fifteen District, Yangxi County	Yangxi County Kaihui Real Estate Development Co., Ltd. (陽西縣凱匯房地產開發有限公司)	15,000	Renovation and Decoration	6
9	Integrated Green Energy Supercharging Station Without Waste (無廢綠能綜合型超級充電站)	Shanwei Avenue, Hongcao Town, Shanwei City	Waste Free New Energy (Shanwei) Co., Ltd. (無廢新能源(汕尾)有限公司)	600,000	Design, Equipment Supply, and Construction	19
Total contract amount (RMB'000)				**645,032**		

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (2023: Nil).

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OFFICER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the end of the Reporting Period, the interests or short positions of the Directors, supervisors and the chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which will be required to be notified to the Company and the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code (the "**Model Code**") for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Number of shares of the Company	Class of Shares	Long/short position	Approximate percentage of shareholdings in the relevant class of Shares of the Company*(Note 1)*	Approximate percentage of shareholdings in the total share capital of the Company*(Note 2)*
YE Yujing (葉玉敬)*(Note 3)*	Beneficial Owner	67,694,000	Domestic Shares	Long position	37.99%	28.10%
	Interest of spouse	15,504,000	Domestic Shares	Long position	8.70%	6.44%
YE Xiujin (葉秀近)*(Note 4)*	Beneficial Owner	15,504,000	Domestic Shares	Long position	8.70%	6.44%
	Interest of spouse	67,694,000	Domestic Shares	Long position	37.99%	28.10%
YE Guofeng (葉國鋒)*(Note 5)*	Interest in a controlled corporation	6,075,000	Domestic Shares	Long position	3.41%	2.52%
YE Jiajun (葉家俊)	Beneficial Owner	1,000,000	Domestic Shares	Long position	0.56%	0.42%
LIU Yi (劉毅)	Beneficial Owner	510,000	Domestic Shares	Long position	0.28%	0.21%

Notes:

1. The calculation is based on 178,167,645 Domestic Shares of the Company in issue at the end of the Reporting Period.

2. The calculation is based on the total number of 240,930,645 Shares of the Company in issue at the end of the Reporting Period (including 178,167,645 Domestic Shares and 62,763,000 H Shares).

3. Mr. YE Yujing is the husband of Ms. YE Xiujin. Under the SFO, Mr. YE Yujing will be deemed to be interested in the same number of Shares in which Ms. YE Xiujin is interested.

4. Ms. YE Xiujin is the wife of Mr. YE Yujing. Under the SFO, Ms. YE Xiujin will be deemed to be interested in the same number of Shares in which Mr. YE Yujing is interested.

5. Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) ("**Shenzhen Gong Xiang Li**"), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. YE Guofeng, our executive Director. In light of the above, Mr. YE Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang Li.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the end of the Reporting Period, so far as the Directors, supervisors and the chief executive officer of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders (other than Directors, supervisors and the chief executive officer of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Nature of interest	Number of shares of the Company	Class of Shares	Long/short position	Approximate percentage of shareholdings in the relevant class of Shares of the Company(Note 1)	Approximate percentage of shareholdings in the total share capital of the Company(Note 2)
Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保税港區瀛享投資中心(有限合夥))(Note 3)	Beneficial Owner	12,580,645	Domestic Shares	Long position	7.06%	5.22%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥))(Note 4)	Beneficial Owner	10,000,000	Domestic Shares	Long position	5.61%	4.15%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) ("**Shenzhen Qianhai Xingwang Investment Management**")(Notes 3 and 4)	Interest in a controlled corporation	22,580,645	Domestic Shares	Long position	12.67%	9.37%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心(有限合夥)(Notes 3 and 4)	Interest in a controlled corporation	22,580,645	Domestic Shares	Long position	12.67%	9.37%
Xiong Mingwang (熊明旺)(Notes 3 and 4)	Interest in a controlled corporation	22,580,645	Domestic Shares	Long position	12.67%	9.37%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥))(Note 5)	Beneficial Owner	17,000,000	Domestic Shares	Long position	9.54%	7.06%
Shenzhen Co-Win Asset Management Holding Company Limited (深圳同創偉業資產管理股份有限公司)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%

OTHER INFORMATION (Continued)

Name of Shareholders	Nature of interest	Number of shares of the Company	Class of Shares	Long/short position	Approximate percentage of shareholdings in the relevant class of Shares of the Company(Note 1)	Approximate percentage of shareholdings in the total share capital of the Company(Note 2)
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%
Zheng Wei He (鄭偉鶴)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%
Huang Li (黃荔)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%
Ding Bao Yu (丁寶玉)(Note 5)	Interest in a controlled corporation	17,000,000	Domestic Shares	Long position	9.54%	7.06%

Notes:

1. The calculation is based on 178,167,645 Domestic Shares and 62,763,000 H Shares (as the case may be) of the Company in issue as at the end of Reporting Period.

2. The calculation is based on the total number of 240,930,645 Shares of the Company in issue as at the end of Reporting Period (including 178,167,645 Domestic Shares and 62,763,000 H Shares).

3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) ("**Ningbo Yingxiang**"), a limited partnership incorporated in the PRC on 10 May 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management. Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("**Ningbo Xingwang Yinghua**"), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.

5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) ("**South China Sea LP**"), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were, (i) Shenzhen Co-Win Jinxiu Asset Management Limited ("**Shenzhen Co-Win Jinxiu Asset**"), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited ("**Shenzhen Co-Win Asset**"). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited ("**Shenzhen Co-Win Venture Capital**"), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)) ("**Shenzhen Co-Win Victory LP**"), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠), with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Upon specific enquiry by the Company and following confirmations from the Directors and supervisors of the Company, since the date of publication of the previous annual report, there is no other change in the information of the Directors and supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, there was no purchase, sale or redemption of any listed securities of the Company (including sale of treasury shares (as defined under the Listing Rules)) by the Company or any of its subsidiaries. As at the end of Reporting Period, the Company did not hold any treasury shares.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions of the Directors and supervisors of the Company. Upon specific enquiries, all Company's Directors and supervisors 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.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of business ethics and corporate governance. The Company firmly believes that conducting business in a responsible, transparent and fair manner is essential to achieving the long-term business objectives of the Company and the Group. By adhering to these principles, the interests of the Group and its Shareholders can be enhanced in the long run. The Company has been committed to fulfilling its responsibilities to the Shareholders to ensure that the proper processes for overseeing and managing the Group's business are properly operated and reviewed, and have maintained sound corporate governance practices and procedures throughout the Reporting Period.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix C1 to the Listing Rules. The Company has fully complied with all applicable code provisions set out in the CG Code during the Reporting Period.

Mr. WU Jianzhang (伍劍章) has tendered his resignation as the chief executive officer of the Company ("**Chief Executive Officer**") for devoting more time to his personal endeavours, with effect from 16 August 2024. Mr. YE Yujing (葉玉敬) ("**Mr. Ye**"), the chairman of the Board and an executive Director, has been appointed as the Chief Executive Officer with effect from 16 August 2024. After Mr. Ye was appointed as the Chief Executive Officer, he will serve as both the chairman of the Board and the Chief Executive Officer. This appointment deviates from the requirements in the code provision C2.1 of the CG Code, which stipulates that the duties of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Ye currently performs both roles, which enables more effective and efficient overall strategic planning for the Group, aligns with the best interests of the Group, and sufficient checks and balances have been implemented. The Board will consider the overall situation of the Group and review the need to split the roles of chairman of the Board and Chief Executive Officer at an appropriate time.

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

REVIEW OF THE AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, being Mr. CAI Huiming (as chairman), Mr. LIN Zhiyang and Mr. SUN Changqing. 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 interim results and the interim report of the Group for the six months ended 30 June 2024.

OTHER INFORMATION (Continued)

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

As of the date of this report, the Group's loans amounted to approximately RMB225.58 million in total from 8 banks, 1 company and 2 individuals were due, and the Group failed to repay and renew the due loan. Among them, the accumulated due and outstanding bank loans of the Group involved 8 banks, amounting to approximately RMB217.83 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 lenders while the Group has not yet obtained waivers from these lenders in respect of the defaults and aforementioned lenders 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.

The breakdown of due and outstanding loans from the aforementioned lenders is as follows:

No.	Lender	Loan interest rate (APR)	Outstanding balance of the loan (RMB'0000)	Maturity date of the loan
1	Bank of China Limited	6.09%	3,715.79	2022/4/15
2	China Construction Bank Corporation	5.65%	4,802.60	2022/7/11
3	Industrial Bank Co., Ltd.	6.09%	924.84	2022/10/14
4	Bank of Beijing Co., Ltd.	5.44%	1,839.28	2022/3/16
5	Industrial and Commercial Bank of China Limited	5.60%	1,434.82	2021/12/17
6	Hua Xia Bank Co., Limited	6.90%	2,307.83	2022/4/28
7	Shenzhen Rural Commercial Bank Co., Ltd.	8.00%	2,487.64	2022/4/22
8	Bank of Shanghai Co., Ltd.	6.01%	4,269.90	2022/12/21
9	Yangxi County Kaihui Real Estate Development Co., Ltd.* (陽西縣凱匯房地產開發有限公司)	10.00%	690.44	2022/9/12
10	Ruan Shuiyou* (阮水友)		65.00	2022/12/30
11	Ye Jiajun (葉家俊)		20.00	2022/12/30
Total			22,558.14	

The interest rate of the loan shall be the annual interest rate. If the default occurs from the date of default, the original agreed annual interest rate shall be increased by 50%.

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 report, the loans amounted to approximately RMB225.58 million in total from 8 banks, 1 company and 2 individuals were due, and the Group failed to repay and renew the due loan. As of the date of this report, the Group's accumulated due and outstanding bank loans involved 8 banks, amounted to approximately RMB217.83 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 not yet obtained any waivers from these banks in respect of the defaults and aforementioned banks and other lenders 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 5 July 2024, the Company announced that "Inside Information — Updates On The Bankruptcy Restructuring Application Of The Company" and the Company's application to the Shenzhen Intermediate People's Court (the "**Court**") for bankruptcy restructuring has been rejected. The Company will adjust and improve the restructuring plan in accordance with the Court's opinion and reapply to the Court for the Company's bankruptcy restructuring. For details, please refer to the announcement of the Company dated 5 July 2024.

On 11 September 2024, the Company announced that "Inside Information — Updates On The Bankruptcy Restructuring Application Of The Company" and the Court has accepted the bankruptcy restructuring application of the Company again, with a case number of (2024) Yue 03 Po Shen 942 ((2024)粵03破申942號). For details, please refer to the announcement of the Company dated 11 September 2024.

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.

Save as disclosed above, the Group does not have any material matters that are required to be disclosed from the end of the Reporting Period up to the date of this report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	**2024**	2023
		RMB'000	*RMB'000*
Revenue	6	**5,534**	43,794
Cost of sales	7	**(5,445)**	(36,835)
Gross Profit		**89**	6,959
Selling and marketing expenses	7	**(390)**	(854)
Administrative expenses	7	**(5,418)**	(6,826)
Net impairment losses on financial and contract assets	3.1.2	**11,696**	39,372
Other income — net	9	**2,027**	38,231
Operating loss		**8,004**	76,882
Finance income		**14**	31
Finance costs		**(13,936)**	(11,348)
Finance costs — net	10	**(13,922)**	(11,317)
Loss before income tax		**(5,918)**	65,565
Income tax expense	11	**(2,600)**	(1,322)
Loss for the period		**(8,518)**	64,243
Other comprehensive income		**—**	—
Total comprehensive income for the period		**(8,518)**	64,243
Total loss and comprehensive income attributable to:			
Owners of the Company		**(8,518)**	64,243
Earnings per share			
— Basic and diluted (RMB)	12	**(0.04)**	0.27

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2024** *RMB'000*	As at 31 December 2023 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment	15	**42,971**	44,410
Right-of-use-assets		**—**	8,218
Investment properties		**—**	—
Intangible assets		**—**	—
Other receivables		**—**	—
		42,971	52,628
Current assets			
Inventories		**—**	—
Contract assets	5(a)	**—**	—
Trade receivables	16	**14,315**	23,593
Prepayments and other receivables	17	**922**	7,117
Restricted bank balances	19	**8,949**	9,352
Cash and cash equivalents	18	**482**	876
		24,668	40,938
Total assets		**67,639**	93,566
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	**240,931**	240,931
Share premium	20	**323,070**	323,070
Other reserves		**—**	—
Retained earnings		**(1,220,491)**	(1,211,972)
Total equity		**(656,490)**	(647,971)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**—**	—
Deferred revenue		**1,303**	1,340
Provision		**—**	—
		1,303	1,340
Current liabilities			
Trade and other payables	21	**439,107**	448,921
Contract liabilities	5(a)	**—**	—
Borrowings	22	**225,581**	240,705
Provision		**58,138**	50,571
		722,826	740,197
Total liabilities		**724,129**	741,537
Total equity and liabilities		**67,639**	93,566
Current assets less current liabilities		**(698,157)**	(699,259)
Total assets less current liabilities		**(655,187)**	(646,631)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. The consolidated financial statements on pages 18 to 46 were approved by the board of directors on 20 September 2024 and were signed on its behalf.

Director | *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000* *(Note 20)*	Share premium *RMB'000* *(Note 20)*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2023	240,931	323,070		(1,195,470)	(631,469)
Comprehensive income					
— Loss for the year				(16,502)	(16,502)
Total comprehensive income				(16,502)	(16,502)
Issuance of ordinary shares					
Share issuance costs					
Transfer to statutory reserve					
Transfer to safety reserve					
Dividends for the year ended 31 December 2023					
Balance at 31 December 2023	240,931	323,070	—	(1,211,972)	(647,971)
Balance at 1 January 2024	**240,931**	**323,070**	**—**	**(1,211,972)**	**(647,971)**
Comprehensive income					
Loss for the period				**(8,518)**	**(8,518)**
Total comprehensive income for the period				**(8,518)**	**(8,518)**
Issuance of ordinary shares *(Note 21)*					
Transfer to statutory reserve					
Transfer to safety reserve					
Balance at 30 June 2024	**240,931**	**323,070**	**—**	**(1,220,491)**	**(656,490)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June **2024** ***RMB'000***	 2023 *RMB'000*
Cash flows from operating activities			
Cash generated from operations	23	**(1,253)**	855
PRC enterprise income tax paid		**(5,993)**	(128)
Net cash inflow from operating activities		**(7,246)**	727
Cash flows from investing activities			
Purchases of property and equipment		**—**	—
Proceeds from disposal of property		**25,744**	—
Net cash inflow/(outflow) from investing activities		**25,744**	—
Cash flows from financing activities			
Proceeds from borrowings		**—**	—
Repayments of borrowings		**(15,124)**	(1,300)
Interest paid		**(3,768)**	—
Other cash paid related to financing activities		**—**	—
Net cash inflow/(outflow) from financing activities		**(18,892)**	(1,300)
Net increase/(decrease) in cash and cash equivalents		**(394)**	(573)
Cash and cash equivalents at beginning of the year		**876**	1,006
Exchange losses on cash and cash equivalents		**—**	(2)
Cash and cash equivalents at end of the year	18	**482**	431

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 material 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 RMB8.52 million for the six months ended 30 June 2024, and as at 30 June 2024, the Group had net current liabilities and net liabilities of approximately RMB698.16 million and RMB656.49 million, respectively. As at 30 June 2024, the Group's borrowing was approximately RMB225.58 million, while the Group had cash and cash equivalents of approximately RMB0.48 million. 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 obtaining new funding to support the operation of the Group. In the opinion of the directors of the Company, the discussions with creditors and potential investors 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 six months ended 30 June 2024.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 2024:

Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 the Reporting Period as of 30 June 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control, including the structured entities. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the related subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to equity owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.6 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets (including goodwill).

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

2.9 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the Reporting Period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	30 years
Building improvements	5 years
Machinery	10 years
Motor vehicles	5 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Reporting Period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and included in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Investment properties

Investment properties, principally comprising buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

Buildings	30 years

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount.

2.11 Intangible assets

Acquired computer software are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

The Group amortises intangible assets with a limited useful life of 3 to 5 years using the straight-line method.

2.12 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each Reporting Period.

2.13 Investments and other financial assets

(i) Classification

The Group classifies its financial assets only in the category of assets to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The only measurement category into which the Group classifies its debt instruments is at amortised cost. Under this category, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Investments and other financial assets *(Continued)*

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1.2 for further details.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See notes 2.12 and 2.13 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and at bank. Bank deposits which are restricted to use are included in "Restricted bank balance". Restricted bank balance is excluded from cash and cash equivalents included in the consolidated statements of cash flows.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the Reporting Period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the Reporting Period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the Reporting Period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the Reporting Period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

(iv) Housing funds, medical insurances and other social insurances

Employees of the group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(v) Bonus entitlements

The expected costs of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to property and equipment are included in non-current liabilities as deferred revenue and are included in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

2.24 Revenue recognition

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- No assets have been created that have other uses for the Group and the Group has an enforceable claim for payment for the portion of the performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

When control of goods and services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- Direct measurements of the value of individual services transferred by the Group to the customer (output method); or
- The Group's efforts or inputs to the satisfaction of the performance obligation (input method).

(i) Construction contracts

The Group generates revenue by providing interior and exterior building decoration and design services under construction contracts. The Group determines that revenue from construction contracts satisfies the performance obligation over time, for the performance of construction contracts creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognises revenue over time based on the percentage of completion, using input method as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs in accordance with HKFRS 15.

The excess of cumulative revenue recognised over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised is recognised as contract liabilities.

Upon the completion of construction work, normally 5% to 10% of the contract price will be retained by customers as quality guarantee and will be refunded after a one-or two-year's warranty period. The Group does not intend to give a financing to the customer through retention. The Group makes efforts to collect such retention and timely monitor the credit risk.

There is no material contract fulfilment cost or cost of obtaining contracts incurred by the Group.

(ii) Rendering of services

The Group provides design services to external parties. Design fee is recognised as revenue in the accounting period in which the services are rendered, by reference to the amount provided in the service period stipulated in the contract.

(iii) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Interest income

Interest income on financial assets at amortised cost which calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- the fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- the variable lease payment that are based on an index or a rate;

- the amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

- the payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Leases *(Continued)*

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- the restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose the Group to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the board of directors.

3.1.1 Market risk

(i) Foreign exchange risk

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group currently has no hedging policy with respect to the foreign exchange risks. Therefore, the Group has not entered into any hedging to management potential fluctuation in foreign currency.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk *(Continued)*

(ii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. The Group regularly seeks the most favourable interest rates available for borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at 30 June 2024, if the market interest rates had been higher with all other variables held constant, post-tax loss for the year would have been higher.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, contract assets and deposits and retention receivables recorded as other receivables.

The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial and contract assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

(i) Risk management

Majority of the Group's cash and cash equivalents are placed in those banks incorporated in the PRC which are reputable local listed commercial banks or state-owned bank. The management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

In respect of trade receivables, contract assets and deposits and retention receivables, which related to the construction customers, periodical credit evaluations are performed taking into account the customers' financial position, past experience and other factors. Credit limits are also set based on internal risk assessment results for individual customer. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Normally, the Group does not obtain collateral from customers.

(ii) Impairment of financial assets

The Group has three types of assets that are subject to the expected credit loss model:

- Trade receivables,
- Contract assets relating to construction contracts, and
- Deposits and retention receivables relating to construction contracts recorded as other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, individual credit evaluation on significant customers is performed by the management. These evaluation focuses on the customer payment history and current and future ability for payment, taking into account the information specific to the customer as well as pertaining to the current and future general economic environment in which the customer operated.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

For the customers who are not subject to individual credit evaluation or individually assessed as not impaired, the management collectively assess the expected credit losses taking into account the aging analysis and the history of bad debt losses in respect of those groups of customers. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers and debtors to settle the receivables.

The impairment on deposits and retention receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

For other receivables, the Group makes the periodic collective assessment as well as the individual assessment on the recoverability based on past experience and forward-looking information.

The closing loss allowances for trade receivables, contract assets and other receivables as at 30 June 2024 reconcile to the opening loss allowances as follows:

	Trade receivables *RMB'000*	**Contract assets** *RMB'000*	**Other receivables** *RMB'000*
As at 1 January 2024	**745,351**	**16,679**	**56,314**
Provision for impairment	**—**	**—**	**—**
Written off	**(7,787)**	**—**	**(3,909)**
Reversal of provision	**(26,102)**	**—**	**—**
As at 30 June 2024	**711,461**	**16,679**	**52,405**

The closing loss allowances for trade receivables, contract assets and other receivables as at 31 December 2023 reconcile to the opening loss allowances as follows:

	Trade receivables *RMB'000*	Contract assets *RMB'000*	Other receivables *RMB'000*
As at 1 January 2023	751,862	19,437	65,814
Provision for impairment	—	—	—
Written off	(6,511)	(2,758)	(9,500)
Reversal of provision	—	—	—
As at 31 December 2023	745,351	16,679	56,314

Trade receivables, contract assets and other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited into profit or loss.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term.

Management devotes to tighten its credit terms to customers and fasten its collection of receivables by available means in order to maintain sufficient cash to meet the obligations. Moreover, the Group continues to explore its available funding through different financial facilities to maintain sufficient flexibility in funding as well. The Group closely monitors its policies to maintain sufficient cash flows and ensure they are effective. Management considers that there is no significant liquidity risk as the Group has sufficient committed facilities to fund its operations.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the consolidated balance sheets date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
As at 30 June 2024			
Borrowings	**225,581**	—	**225,581**
Trade and other payables (excluding tax payable and payroll payable)	**418,210**	—	**418,210**
Lease liabilities	—	—	—
Estimated liabilities	**58,138**	—	**58,138**
	701,929	—	**701,929**
As at 31 December 2023			
Borrowings	240,705	—	240,705
Trade and other payables (excluding tax payable and payroll payable)	430,372	—	430,372
Lease liabilities	—	—	—
Estimated liabilities	50,571	—	50,571
	721,648	—	721,648

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

As of 30 June 2024 and 31 December 2023, the Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024 ***RMB'000***	As at 31 December 2023 *RMB'000*
Total borrowings *(Note 24)*	**225,581**	240,705
Lease liabilities	**—**	—
Less: cash and cash equivalents *(Note 19)*	**(483)**	(876)
Net debt	**225,098**	239,829
Total equity	**(656,490)**	(647,971)
Total capital	**(431,392)**	(408,142)
Gearing ratio	**-52.18%**	-58.76%

The Group has complied with the loan covenants throughout the Reporting Period.

3.3 Fair value estimation

The Group's financial assets and financial liabilities are mainly receivables and payables, respectively, which are carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Recognition of revenue

The Group recognises the revenue over time based on the percentage of completion, using input methods in accordance with HKFRS 15. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the Reporting Period compared with the estimated budgeted cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses and regularly reviews the progress of the contracts.

(b) Impairment of trade receivables and contract assets

The expected credit losses for trade receivables and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's assessment on customer payment history and current and future ability for payment taking into account the information specific to the customer as well as pertaining to the current and future general economic environment in which the customer operated. Details of management's credit risk assessment are disclosed in the tables in Note 3.1.2.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

5 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 2024 (2022: same).

As at 30 June 2024, all of the non-current assets were located in the PRC (2022: same).

5 SEGMENT INFORMATION *(Continued)*

(a) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Contract assets relating to construction contracts	**16,679**	16,679
Loss allowance *(Note 3.1.2)*	**(16,679)**	(16,679)
Total contract assets	**—**	—
Contract liabilities relating to construction contracts	**—**	—

Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has provided less services ahead of billing for certain construction contracts. The Group also recognised a loss allowance for contract assets following the adoption of HKFRS 9, see note 3.1.2(ii) for further information.

6 REVENUE

	For the six months ended 30 June	
	2024 *RMB'000*	2023 *RMB'000*
Revenue from construction contracts	**5,519**	43,717
Sales of goods, design and other income	**15**	77
Total	**5,534**	43,794

7 EXPENSES BY NATURE

	For the six months ended 30 June	
	2024 *RMB'000*	2023 *RMB'000*
Raw materials and consumables used		
Construction project cost	**5,445**	36,835
Staff costs (including directors' emoluments) *(Note 8)*	**3,125**	3,491
Consulting and professional fee	**1,076**	1,902
Depreciation and amortisation expenses	**1,045**	1,144
Other taxes	**32**	189
Travelling expenses	**128**	72
Entertainment expenses	**96**	211
Office expenses	**16**	237
Miscellaneous expenses	**290**	434
Total cost of sales, selling and marketing expenses and administrative expenses	**11,253**	44,515

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**2,538**	2,930
Housing funds, medical insurances and other social insurances	**587**	561
	3,125	3,491

9 OTHER INCOME — NET

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Government grants *(a)*	**51**	291
Rental income from investment properties	**—**	628
Disposal of property, plant and equipment	**11,140**	(19)
Others	**3,868**	46,104
	15,059	47,003
Outgoings related to rental income	**—**	(182)
Litigation compensation	**(13,032)**	(8,590)
Others	**—**	—
	(13,032)	(8,772)
	2,027	38,231

(a) Government grants are under no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

10 FINANCIAL COST — NET

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Finance Income		
— Interest income derived from bank deposits	**14**	31
Finance costs		
— Interest expense on borrowings	**(13,936)**	(11,348)
— Interest expense on lease liabilities	**—**	—
	(13,936)	(11,348)
	(13,922)	(11,317)

11 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current Income Tax		
— PRC enterprise income tax	**2,600**	1,322
Deferred income tax	**—**	—
	2,600	1,322

The current tax mainly represents the provision for PRC Enterprise Income Tax ("**EIT**") for companies operating in the PRC. These companies are subject to EIT on their taxable income as reported in their respective statutory financial statements (as adjusted in accordance with the relevant PRC tax laws and regulations).

Pursuant to the Law of the PRC on Enterprise Income Tax (the "**EIT Law**"), the enterprise income tax rate for domestic enterprises and foreign-invested enterprises is 25%. On 9 December 2022, the Company renewed its high-tech enterprise certificate for a period of three years commencing from 1 January 2023. The applicable income tax rate for the years from 2024 to 2022 is 15%. Assuming there is no change in the relevant laws and regulations, the Directors are of the view that the Company will continue to be granted preferential tax treatment by applying for the renewal of the certificate and therefore a tax rate of 15% has been applied in considering the deferred income tax. All other PRC entities of the Group are subject to EIT at the rate of 25% under the EIT Law.

12 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 2024 and 30 June 2023.

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Loss attributable to owners of the Company (RMB'000)	**(8,518)**	64,243
Weighted average number of ordinary shares in issue (thousand shares)	**240,931**	240,931
Basic loss per share (RMB)	**(0.04)**	0.27

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2024 and 30 June 2023. Diluted loss per share for the six months ended 30 June 2024 and 30 June 2023 is the same as the basic loss per share.

13 DIVIDENDS

The Board does not recommend the payment of any final dividend for the six months ended 30 June 2024.

14 SUBSIDIARIES

The Group's subsidiaries at 30 June 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Type of legal entity	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid-up capital	Proportion of ordinary shares directly held by the parent company
Jingdi Industrial (Shenzhen) Company Limited (景帝實業(深圳)有限公司)	Limited Liability Company	Shenzhen, the PRC	Industrial and commercial investment (specific programme to be declared separately); Supply chain management; import and export trading; China	RMB10,100,000	100%
Huidong Yip's Development Company Limited (惠東葉氏實業發展有限公司)	Limited Liability Company	Huizhou, the PRC	Development and construction of industrial parks; China	RMB500,000	100%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited (惠東士寬裝飾家私創藝文化有限公司)	Limited Liability Company	Huizhou, the PRC	Design and sale of mobile and stationary furniture suitable for building decoration works and soft furnishing products; China	RMB500,000	100%
Adway Construction (Hong Kong) Limited	Limited Liability Company	Hong Kong	Import and export of building decoration and construction materials; Hong Kong	HKD10,000	100%

15 PROPERTIES AND EQUIPMENT

	Construction *RMB'000*	Machinery *RMB'000*	Motorised vehicles *RMB'000*	Furniture and office equipment *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023					
Opening net book amount	45,797	108	513	339	46,757
Additions	—	72	—	—	72
Disposals	—	—	—	(154)	(154)
Depreciation	(2,076)	(27)	(138)	(24)	(2,265)
Closing net book amount	43,721	153	375	161	44,410
As at 31 December 2023					
Cost	90,160	311	7,508	5,814	103,793
Accumulated depreciation	(46,439)	(158)	(7,133)	(5,653)	(59,383)
Net book value	43,721	153	375	161	44,410
For the six months ended 30 June 2024					
Opening net book amount	**43,721**	**153**	**375**	**161**	**44,410**
Additions					
Disposals	**(384)**	**—**	**—**	**—**	**(384)**
Depreciation	**(1,025)**	**(17)**	**(3)**	**(10)**	**(1,055)**
Closing net book amount	**42,312**	**136**	**372**	**151**	**42,971**
As at 30 June 2024					
Cost	**89,776**	**311**	**7,508**	**5,814**	**103,409**
Accumulated depreciation	**(47,464)**	**(175)**	**(7,136)**	**(5,663)**	**(60,438)**
Net book value	**42,312**	**136**	**372**	**151**	**42,971**

16 TRADE RECEIVABLES

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Trade receivables	**725,776**	758,468
Less: provision for impairment of trade receivables	**(711,461)**	(745,351)
Trade receivables — net	**14,315**	13,117
Notes receivable	**—**	10,476
	14,315	23,593

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

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Within 1 year	**56,668**	71,872
1 year to 2 years	**105,526**	132,905
2 years to 3 years	**160,868**	159,512
3 years to 4 years	**35,236**	35,334
4 years to 5 years	**246,167**	247,077
Over 5 years	**121,312**	122,244
	725,776	768,944

The carrying amounts of trade receivables and bills receivable approximate their fair values due to their short maturities. The Group's trade receivables are denominated in Renminbi.

17 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Prepayments	—	—
Other receivables — net	922	7,117
	922	7,117
Less: non-current portion		
Security deposit	—	—
Retention receivables	—	—
	—	—
	922	7,117

Other receivables

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Other receivables	53,326	63,431
Less: provision for impairment of other receivables	(52,404)	(56,314)
Other receivables — net	922	7,117

18 CASH AND CASH EQUIVALENTS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Denominated in RMB		
— Bank deposits	430	813
— Cash on hand	20	28
	450	841
Denominated in HKD		
— Bank deposits	32	35
Total	482	876

19 RESTRICTED BANK BALANCES

As at 30 June 2024 and 31 December 2023, restricted bank balances are restricted deposits that have been judicially frozen due to creditors' litigations.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares *(in thousands)*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
At 1 January 2023	240,931	240,931	323,070	564,001
Issue of ordinary shares	—	—	—	—
Share issuance costs	—	—	—	—
As at 31 December 2023	240,931	240,931	323,070	564,001
At 1 January 2024	**240,931**	**240,931**	**323,070**	**564,001**
Issue of ordinary shares	**—**	**—**	**—**	**—**
As at 30 June 2024	**240,931**	**240,931**	**323,070**	**564,001**

21 TRADE AND OTHER PAYABLES

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Trade payables	**315,742**	340,522
	315,742	340,522
Other tax payable	**17,143**	15,209
Employee benefits payable	**3,754**	3,340
Other payables	**102,468**	89,850
	439,107	448,921

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

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Within 1 year	**27,822**	30,529
1 year to 2 years	**105,374**	137,392
2 years to 3 years	**55,091**	42,140
Over 3 years	**127,455**	130,461
	315,742	340,522

22 BORROWINGS

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Bank borrowings — secured or pledged	**151,531**	156,655
Bank borrowings — unsecured	**23,597**	23,597
Other borrowings — secured or pledged	**49,603**	59,603
Other borrowings — unsecured	**850**	850
	225,581	240,705

As at 30 June 2024 and 31 December 2023, 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 2024 was 9.21% (2023: 9.93%) per annum.

As at 30 June 2024, loans from 8 banks, 1 company and 2 individuals with an aggregate amount of approximately RMB217.83 million have fallen due and the Group has failed to repay or renew the matured loans.

23 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operations:

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Loss before income tax	**(5,918)**	65,566
Adjustments for:		
— Depreciation of property and equipment and investment properties	**1,055**	1,193
— Depreciation of right-of-use assets	**—**	—
— Amortisation of intangible assets	**—**	134
— Provision of financial and contract assets	**(11,696)**	(39,372)
— Finance costs — net	**13,936**	11,317
— Gain on disposal of property, plant and equipment	**(11,140)**	19
	(13,763)	38,857
Changes in working capital:		
— Contract assets	**—**	2,631
— Contract liabilities	**—**	364
— Trade receivables, prepayments and other receivables	**24,909**	15,698
— Trade and other payables	**(12,399)**	(56,695)
Cash generated from operations	**(1,253)**	855

23 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
Cash and cash equivalents	**482**	876
Borrowings — repayable within one year	**(225,581)**	(240,705)
Lease liabilities	**—**	—
Net debt	**(225,099)**	(239,829)

24 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**21,777**	21,777
Property and equipment	**42,971**	44,016
Right-of-use assets	**—**	—
Investment properties	**—**	—
Intangible asset	**—**	—
Prepayments and other receivables	**—**	—
	64,748	65,793
Current assets		
Contract assets	**—**	—
Trade receivables	**14,315**	13,117
Prepayments and other receivables	**541**	6,091
Amounts due from subsidiaries	**323**	11,777
Restricted bank balances	**8,947**	9,352
Cash and cash equivalents	**141**	194
	24,267	40,531
Total assets	**89,015**	106,324

24 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	As at 30 June 2024 *RMB'000*	As at 31 December 2023 *RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Share capital	**240,931**	240,931
Share premium *(b)*	**323,050**	323,050
Other reserves *(b)*	**—**	—
Retained earnings *(b)*	**(1,225,190)**	(1,208,272)
Total equity	**(661,209)**	(644,291)
LIABILITIES		
Non-current liabilities		
Lease liabilities	**—**	—
Deferred income	**1,303**	1,340
Estimated liabilities	**58,138**	50,571
	59,441	51,911
Current liabilities		
Trade and other payables	**465,202**	457,999
Contract liabilities	**—**	—
Borrowings	**225,581**	240,705
	690,783	698,704
Total liabilities	**750,224**	750,615
Total equity and liabilities	**89,015**	106,324

The statement of financial position of the Company was approved by the board of directors on 20 September 2024 and was signed on its behalf.

DIRECTORS *DIRECTORS*

24 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY
(Continued)

(b) Reserve movement of the Company

	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2023	323,050	—	(1,191,991)	(868,941)
Comprehensive income				
— Loss for the year	—	—	(16,281)	(16,281)
Total comprehensive income	—	—	(16,281)	(16,281)
Issuance of ordinary shares	—	—	—	—
Share issuance costs	—	—	—	—
Transfer to statutory reserve	—	—	—	—
Utilisation of safety reserve	—	—	—	—
Balance at 31 December 2023	323,050	—	(1,208,272)	(885,222)
Balance at 1 January 2024	**323,050**	**—**	**(1,208,272)**	**(885,222)**
Comprehensive income	**—**	**—**	**—**	**—**
— Loss for the year	**—**	**—**	**(16,918)**	**(16,918)**
Total comprehensive income	**—**	**—**	**(16,918)**	**(16,918)**
Issuance of ordinary shares	**—**	**—**	**—**	**—**
Transfer to statutory reserve	**—**	**—**	**—**	**—**
Utilisation of safety reserve	**—**	**—**	**—**	**—**
Balance at 30 June 2024	**323,050**	**—**	**(1,225,190)**	**(902,140)**

27 SUBSEQUENT EVENTS

Save as disclosed in other notes to these financial statements, there are no other significant subsequent events after 30 June 2024 which would have a material effect on these financial statements.