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**GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED\***

**廣東愛得威建設(集團)股份有限公司**

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

**(Stock Code: 6189)**

**2021 INTERIM RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

*(in RMB million, unless otherwise stated)*

	<b>For the six months ended 30 June</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>(Unaudited)</b>	<b>(Unaudited)<sup>#</sup></b>	
<b>Total Operating Revenue</b>	<b>254.6</b>	159.9	59.2%
<b>Gross Profit</b>	<b>43.6</b>	31.1	40.2%
Gross Profit Margin	<b>17.1%</b>	19.5%	-2.4 p.p
Net Profit (Loss)	<b>4.1</b>	(21.5)	—
Net Profit (Loss) Margin	<b>1.6%</b>	(13.4%)	15.0 p.p
Basic and Diluted Earnings (Loss) per share (RMB)	<b>2 cents</b>	(9 cents)	—

<sup>#</sup> Being presented in accordance with the adjustment for differences arising from the conversion from Hong Kong Financial Reporting Standard into CASBE on First Application Date. Please refer to page 23-24 of this announcement for more details.

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited\* 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 2021 (the “**Current Period**”), together with the comparative figures for the six months ended 30 June 2020 (the “**Preceding Period**”), which have been reviewed by the Board and the audit committee of the Company (the “**Audit Committee**”), as follows:

**(a) Interim Condensed Consolidated Income Statement**

*For the six months ended on 30 June 2021*

*(All amounts in RMB Yuan unless otherwise stated)*

Items	Notes	Amount of the Current Period (Unaudited)	Amount of the Preceding Period (Unaudited)
1. Total Operating revenue		<b>254,635,619.10</b>	159,916,692.35
Including: Operating revenue	5	<b>254,635,619.10</b>	159,916,692.35
Interest income			
Premiums earned			
Fee and commission income			
2. Total operating cost		<b>249,865,845.47</b>	170,453,153.53
Including: Operating costs	5	<b>211,062,001.92</b>	128,847,335.84
Interest expenses			
Fee and commission expense			
Surrenders			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Tax and surcharges		<b>1,052,780.68</b>	2,207,443.80
Selling expenses		<b>3,755,984.14</b>	4,929,939.75
Administrative expenses		<b>13,604,548.79</b>	14,554,363.49
Research and development costs		<b>9,539,901.34</b>	5,147,061.14
Financial expenses		<b>10,850,628.60</b>	14,767,009.51
Including: Interest expense		<b>11,178,695.99</b>	14,825,714.22
Interest income		<b>658,882.58</b>	252,798.06
Add: Other gains		<b>609,318.02</b>	4,524,206.07
Investment income (losses are represented by “-”)			226,051.27
Including: Gains from investment in associates and joint ventures			
Gains from derecognition of financial assets at amortised cost			
Exchange gain (losses are represented by “-”)			

**(a) Interim Condensed Consolidated Income Statement (Continued)**

*For the six months ended on 30 June 2021*

*(All amounts in RMB Yuan unless otherwise stated)*

<b>Items</b>	<i>Notes</i>	<b>Amount of the Current Period (Unaudited)</b>	<b>Amount of the Preceding Period (Unaudited)</b>
Income on hedging the net exposure (losses are represented by “-”)			
Gains from changes in fair value (losses are represented by “-”)			
Credit impairment loss (losses are represented by “-”)		<b>-41,782,614.42</b>	-30,032,541.00
Asset impairment loss (losses are represented by “-”)		<b>41,518,907.39</b>	-2,390,562.65
Gains on disposal of assets (losses are represented by “-”)		<b>860,304.57</b>	-4,703.25
3. Operating profit (losses)		<b>5,975,689.19</b>	-38,214,010.74
Add: Non-operating income		<b>30,827.70</b>	5,629,796.64
Less: Non-operating expenses		<b>813,639.75</b>	424,355.02
4. Total profit (total losses are represented by “-”)		<b>5,192,877.14</b>	-33,008,569.12
Less: Income tax expense	6	<b>1,126,577.08</b>	-11,541,420.99
5. Net profit (net losses are represented by “-”)		<b>4,066,300.06</b>	-21,467,148.13
(1) Classified by the business continuity			
1. Net profit from continuing operations (net losses are represented by “-”)		<b>4,066,300.06</b>	-21,467,148.13
2. Net profit from discontinued operation (net losses are represented by “-”)			
(2) Classified by the attribution of the ownership			
1. Net Profit attributable to the shareholders of the Company (net losses are represented by “-”)		<b>4,066,300.06</b>	-21,467,148.13
2. Minority interests (net losses are represented by “-”)			

**(a) Interim Condensed Consolidated Income Statement (Continued)**

*For the six months ended on 30 June 2021*

*(All amounts in RMB Yuan unless otherwise stated)*

Items	<i>Notes</i>	<b>Amount of the Current Period (Unaudited)</b>	Amount of the Preceding Period (Unaudited)
6. Net other comprehensive income after tax			
Other comprehensive income (net of tax) attributable to the owners of the parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
7. Total comprehensive income		<b>4,066,300.06</b>	-21,467,148.13
Total comprehensive income attributable to the owners of the Company		<b>4,066,300.06</b>	-21,467,148.13
Total comprehensive income attributable to minority shareholders			
8. Earnings per share:			
(I) Basic earnings per share (RMB/share)	7	<b>0.02</b>	-0.09
(II) Diluted earnings per share (RMB/share)	7	<b>0.02</b>	-0.09

**(b) Interim Condensed Consolidated Balance Sheet***As at 30 June 2021**(All amounts in RMB Yuan unless otherwise stated)*

ASSETS	Notes	Closing balance (Unaudited)	Balance at the end of last year (Audited)
Current assets			
Monetary Capital		66,171,563.89	159,515,439.36
Settlement provisions			
Placements with banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable		11,532,810.80	22,755,118.74
Accounts receivable	9	563,828,167.60	607,775,832.17
Receivables financing			
Prepayments		297,460,420.55	208,152,663.59
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve receivable			
Other receivables		37,701,946.37	24,012,973.96
Financial assets held under resale agreements			
Inventory			
Contract assets		819,321,756.53	962,499,032.68
Assets held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b><u>1,796,016,665.74</u></b>	<b><u>1,984,711,060.50</u></b>

**(b) Interim Condensed Consolidated Balance Sheet (Continued)***As at 30 June 2021**(All amounts in RMB Yuan unless otherwise stated)*

ASSETS	<i>Notes</i>	Closing balance (Unaudited)	Balance at the end of last year (Audited)
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments			
Investment in other equity instruments			
Other non-current financial assets			
Investment properties		10,038,097.99	645,450.65
Fixed assets		50,177,893.38	54,495,287.80
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		1,137,772.60	1,509,667.71
Intangible assets		5,973.42	9,112,081.29
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		<u>100,073,017.56</u>	<u>100,327,045.56</u>
Other non-current assets		<u>2,216,322.77</u>	<u>1,952,628.77</u>
Total non-current assets		<u>163,649,077.72</u>	<u>168,042,161.78</u>
Total assets		<u><u>1,959,665,743.46</u></u>	<u><u>2,152,753,222.28</u></u>

**(b) Interim Condensed Consolidated Balance Sheet (Continued)***As at 30 June 2021**(All amounts in RMB Yuan unless otherwise stated)*

<b>LIABILITIES AND OWNER'S EQUITY</b>	<i>Notes</i>	<b>Closing balance (Unaudited)</b>	<b>Balance at the end of last year (Audited)</b>
<b>Current liabilities</b>			
Short-term borrowings	11	<b>284,853,880.89</b>	364,250,000.00
Borrowings from central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Note payables		<b>35,000,000.00</b>	55,000,000.00
Accounts payable	10	<b>427,528,773.70</b>	512,328,088.59
Advance receipts from customers			
Contract liabilities		<b>158,764,152.55</b>	123,622,941.35
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Staff salaries payable		<b>8,099,554.52</b>	8,561,963.77
Taxes payable		<b>82,517,022.05</b>	96,973,349.96
Other payables		<b>15,294,127.03</b>	13,743,687.75
Bank charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		<b>203,003.80</b>	
Other current liabilities		<b>7,528,582.10</b>	25,110,653.30
<b>Total current liabilities</b>		<b><u>1,019,789,096.64</u></b>	<b><u>1,199,590,684.72</u></b>

**(b) Interim Condensed Consolidated Balance Sheet (Continued)***As at 30 June 2021**(All amounts in RMB Yuan unless otherwise stated)*

<b>LIABILITIES AND OWNER'S EQUITY</b>	<i>Notes</i>	<b>Closing balance (Unaudited)</b>	Balance at the end of last year (Audited)
Non-current liabilities:			
Insurance contract reserve			
Long-term payables			
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		<b>1,036,243.32</b>	1,477,088.01
Long-term payables			
Long-term staff salaries payables			
Estimated liabilities			
Deferred income		<b>1,520,717.91</b>	1,556,925.51
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>2,556,961.23</u></b>	<u>3,034,013.52</u>
<b>Total liabilities</b>		<b><u>1,022,346,057.87</u></b>	<u>1,202,624,698.24</u>
Owners' equity:			
Share capital		<b>240,930,645.00</b>	240,930,645.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		<b>323,069,734.88</b>	323,069,734.88
Less: Treasury shares			
Other comprehensive income			
Special reserve		<b>11,604,679.49</b>	28,479,818.00
Surplus reserve		<b>80,532,877.01</b>	80,126,247.00
General risk reserve			
Undistributed profit		<b>281,181,749.21</b>	277,522,079.16
Total equity attributable to the owners of the Company		<b>937,319,685.59</b>	950,128,524.04
Minority interests			
<b>Total owners' equity</b>		<b><u>937,319,685.59</u></b>	<u>950,128,524.04</u>
<b>Liabilities and owners' equity</b>		<b><u>1,959,665,743.46</u></b>	<u>2,152,753,222.28</u>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) was established under the name of Guangdong Yahe Decoration Construction Company Limited (廣東雅和裝飾工程有限公司) in the People’s Republic of China (the “**PRC**”) on 18 December 1996. On 3 December 2007, upon the resolution of the meeting of the shareholders, the Company was fully converted into a joint stock company with limited liability in compliance with Company Law. The Company became listed on Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016. The registered capital of the company was RMB240,930.6 thousand. As of 30 June 2021, the share capital of the company is RMB240,930.6 thousand.

The principal activities of the Company are provision of interior and exterior building decoration and design services.

The controlling shareholders and actual controllers of the Company: Mr.Ye Yujing and Ms.Ye Xiujin (together, “**Mr. & Mrs. Ye**”).

Unified social credit code: 91440300617421139M.

The registration address of the Company is 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the PRC.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 27 August 2021.

### **Scope of consolidated financial statements**

As of 30 June 2021, the significant subsidiaries in the company scope of consolidated financial statements are as follows:

#### **Name of the companies**

Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Huidong Yip’s Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Constructional Engineering Design (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **Preparation of basis**

This interim condensed consolidated financial information in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (together referred to as the “Accounting Standards for Business Enterprises”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

### **Going concern**

For at least the next 12 months, the Company’s has ability to continue as a going concern and there’s no significant risk affecting its ability to continue as a going concern. The interim condensed consolidated financial information are based on going concern.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE**

### **(I) Statement on compliance with the Accounting Standards for Business Enterprises**

This interim condensed consolidated financial information are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting the consolidated financial position of the Group as at 30 June 2021, and the consolidated operating results and cash flows of the Group for the six months ended 30 June 2021 on a true and complete basis.

### **(II) Accounting period**

Accounting year is the calendar year from 1 January to 31 December.

### **(III) Operating cycle**

The Company takes 12 months as its operating cycle.

### **(IV) Functional currency**

The functional currency of the Company is Renminbi (RMB).

### **(V) Accounting treatment of business combinations under common control and not under common control**

Business combinations under common control: The assets and liabilities acquired by acquirer through business combination shall be measured at the carrying value of the assets, liabilities (including goodwill arising from the acquisition of the acquiree by controlling party) of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of

combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquirer in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. Each of the identifiable assets, liabilities and contingent liabilities of the acquiree, which are acquired in the combination and meet the criteria for recognition, shall be measured at fair value on the date of acquisition.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

#### **(VI) Preparation method of consolidated financial statements**

##### **— *Scope of consolidation***

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries. Control refers to the power of a company over the investee, the rights to enjoy variable returns from its involvement in relevant activities of the investee, and the ability to use its power over the investee to affect the amount of its returns.

#### **4. SEGMENT INFORMATION**

The Group will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Group that meets the following conditions simultaneously:

- (1) the component is able to generate revenues and incur expenses from its ordinary activities;
- (2) whose operating results are regularly evaluated by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance;
- (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

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.

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 2021 (six months ended 30 June 2020: same).

As at 30 June 2021, all of the non-current assets were located in the PRC (31 December 2020: same).

## 5. REVENUE

### Details of operating revenue and operating cost

Items	Amount for the Current Period		Amount for the Preceding Period	
	Operating revenue <i>RMB</i> (unaudited)	Operating cost <i>RMB</i> (unaudited)	Operating revenue <i>RMB</i> (unaudited)	Operating cost <i>RMB</i> (unaudited)
Primary business	254,184,190.56	210,879,611.40	159,750,778.35	128,819,450.27
Other business	451,428.54	182,390.52	165,914.00	27,885.57
Total	<u>254,635,619.10</u>	<u>211,062,001.92</u>	<u>159,916,692.35</u>	<u>128,847,335.84</u>

### Details of operating revenue

Items	Amount for the Current Period <i>RMB</i> (unaudited)	Amount for the Preceding Period <i>RMB</i> (unaudited)
Building decoration projects	244,583,174.38	146,462,116.45
Design service	6,658,230.02	6,418,516.26
Sales of goods	2,423,802.64	4,128,141.58
Others	970,412.06	2,907,918.06
Total	<u>254,635,619.10</u>	<u>159,916,692.35</u>

## 6. INCOME TAX EXPENSE

Items	Amount of the Current Period <i>RMB</i> (unaudited)	Amount of the Preceding Period <i>RMB</i> (unaudited)
Current income tax	872,549.08	-7,046,360.99
Deferred income tax	<u>254,028.00</u>	<u>-4,495,060.00</u>
Total	<u><u>1,126,577.08</u></u>	<u><u>-11,541,420.99</u></u>

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

Name of the companies	Income tax rate
Jingdi Industrial (Shenzhen) Company Limited	25%
Adway Constructional Engineering Design (Shenzhen) Company Limited	25%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	25%
Hudong Yip's Development Company Limited	25%
Adway Construction (Hong Kong) Limited	8.25%, 16.5%

### (2) Tax Preference

Science and Technology Department of Guangdong Province, Finance Department of Guangdong Province, Guangdong Provincial Office of State Administration of Taxation and Guangdong Provincial Local Taxation Bureau granted the Company its High and New Technology Enterprise Certificate issued on 9 December 2019 with certificate number GR201944206234, effective for three years. In accordance with the national preferential tax policies related to the hitech enterprise, if being certified as a hi-tech enterprise, an enterprise will enjoy the national preferential policies for hi-tech enterprises, namely, being levied enterprise income tax at 15.00% within three years from the year of the certification.



## 9. ACCOUNT RECEIVABLES

### (1) Ageing analysis of accounts receivables based on invoice date is as follow:

Aging	Closing balance <i>RMB</i> (Unaudited)	Balance at the end of last year <i>RMB</i> (Audited)
Within 1 year (including 1 year)	238,807,157.41	176,899,528.99
1–2 years	153,765,395.40	459,858,633.84
2–3 years	345,495,366.46	119,163,232.17
3–4 years	85,640,034.30	82,756,222.44
4–5 years	66,889,740.27	64,389,529.08
over 5 years	112,783,198.05	105,888,233.89
Subtotal	<u>1,003,380,891.89</u>	<u>1,008,955,380.41</u>
Less: bad debt provision	<u>439,552,724.29</u>	<u>401,179,548.24</u>
Total	<u><u>563,828,167.60</u></u>	<u><u>607,775,832.17</u></u>

### (2) Accounts receivable shown by classification of bad debt provisions

Items	Closing balance (unaudited)					Balance at the end of last year (Audited)				
	Gross carrying amount		Bad debt provision		Net carrying amount	Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Accounts receivable with provision for bad debt based on individual basis	245,412,793.70	24.46	245,412,793.70	100.00	—	245,039,692.55	24.29	245,039,692.55	100	—
Accounts receivable with provision for bad debt based on a collective basis	757,968,098.19	75.54	194,139,930.59	25.61	563,828,167.6	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
In: aging portfolio	<u>757,968,098.19</u>	<u>75.54</u>	<u>194,139,930.59</u>	<u>25.61</u>	<u>563,828,167.6</u>	<u>763,915,687.86</u>	<u>75.71</u>	<u>156,139,855.69</u>	<u>20.44</u>	<u>607,775,832.17</u>
Total	<u><u>1,003,380,891.89</u></u>	<u><u>100.00</u></u>	<u><u>439,552,724.29</u></u>	<u><u>25.61</u></u>	<u><u>563,828,167.6</u></u>	<u><u>1,008,955,380.41</u></u>	<u><u>100</u></u>	<u><u>401,179,548.24</u></u>	<u><u>20.44</u></u>	<u><u>607,775,832.17</u></u>

(3) Provision, transfer and recovery of bad debts in the period

Items	Balance at the end of last year <i>RMB</i> (Audited)	Movements during the Current Period			Closing balance <i>RMB</i> (Unaudited)
		Accrued	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	245,039,692.55	760,000.00	-386,898.85	—	245,412,793.70
Provision for bad debts on a collective basis	<u>156,139,855.69</u>	<u>38,000,074.90</u>	<u>—</u>	<u>—</u>	<u>194,139,930.59</u>
Total	<u>401,179,548.24</u>	<u>38,760,074.90</u>	<u>-386,898.85</u>	<u>—</u>	<u>439,552,724.29</u>

10. ACCOUNT PAYABLES

(1) List of accounts payable

Items	Closing balance <i>RMB</i> (Unaudited)	Balance at the end of last year <i>RMB</i> (Audited)
Material expenses payable	311,479,952.08	355,860,805.86
Labor fee payable	96,827,624.93	146,358,255.00
Others	<u>19,221,196.69</u>	<u>10,109,027.73</u>
Total	<u>427,528,773.70</u>	<u>512,328,088.59</u>

(2) Ageing analysis of accounts payables based on invoice date is as follow:

Aging	Closing balance <i>RMB</i> (Unaudited)	Balance at the end of last year <i>RMB</i> (Audited)
Within 1 year (including 1 year)	211,417,758.46	263,794,197.73
1 year to 2 years	74,155,997.69	158,924,174.20
2 years to 3 years	79,610,261.99	56,917,258.16
Over 3 years	<u>62,344,755.56</u>	<u>32,692,458.50</u>
Total	<u>427,528,773.70</u>	<u>512,328,088.59</u>



(3) Significant account payables aged over 1 year

Projects	Closing balance <i>RMB</i> (unaudited)	Reason for outstanding
Shenzhen Xincal Materials Co., Ltd	24,738,353.06	Within the settlement period
Shenzhen Guangjin Construction Labor Co., Ltd	6,278,777.00	Within the settlement period
Shenzhen Xiaolong Caiye Industrial Co., Ltd	4,985,858.69	Within the settlement period
Shenzhen Junxingde Industrial Co., Ltd	4,740,716.10	Within the settlement period
Huizhou Puyuan Hongye Technology Co., Ltd	4,721,381.06	Within the settlement period
Total	45,465,085.91	Within the settlement period

11. SHORT TERM BORROWINGS

Items	Closing balance <i>RMB</i> (unaudited)	Balance at the end of last year <i>RMB</i> (audited)
Borrowings — secured and pledged	220,853,880.89	70,000,000.00
Borrowings — secured and guaranteed	64,000,000.00	250,000,000.00
Borrowings — secured	—	14,250,000.00
Guaranteed borrowings	—	30,000,000.00
Total	284,853,880.89	364,250,000.00

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET REVIEW**

The first half of 2021 is a period full of challenges and changes. While the PRC economic growth has slowed down in its growth, the Coronavirus (COVID-19) pandemic continued to have a major impact on the business and operations of the Group and the building decoration industry as a whole.

On the other hand, despite facing a serious challenge, the PRC economy still has substantial growth potential. While the building decoration industry has encountered its development bottleneck, there are still firm and strong market demands on which the industrial development relies on. There is still room for growth, with the co-existence of opportunities and challenges. The building decoration industry is shifting from a high-speed growth stage to a quality development stage.

### **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 20 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licenses in the building decoration industry.

The Group has established a wide operations network. In the first half of 2021, the Group established two new offices. And as at 30 June 2021, there are 23 branches and offices across 16 provinces, autonomous regions and municipalities in the PRC.

During the six months ended 30 June 2021, the Group has signed 33 new contracts with a value of more than RMB1 million each, 6 contracts with a value of more than RMB10 million each and 1 contracts with a value of more than 50 million each.

During the six months ended 30 June 2021, the Group carried out 298 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB3.913 billion, including 100 projects with a contract value of more than RMB10 million each and 13 projects with a contract value of more than RMB50 million each.

Since 2013, the Company has been awarded the certificate of “High and New Technology Enterprise (高新技術企業)” (“HNTe”) by relevant PRC governmental authorities and has been enjoying a preferential Enterprise Income Tax rate of 15%. The HNTe Certificate of the Company has been renewed in 2019, which is valid for three years from 2019 to 2021.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

The Group had no significant investments, or acquisitions and disposals of subsidiaries or affiliated companies during the six months ended 30 June 2021.

## **FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES**

Striving to be a global leading position of comprehensive environmental-friendly decoration service provider, the Group will focus on its core business in the future, especially in the segment areas and regional markets, and enhance our performance from horizontal and vertical points of view. The Group believes that the following strategies will help further enhance its competitiveness and operating results:

### **1. To pay attention to segmentation of markets and focusing on regional development**

The Group will focus on the support and development of the business in medical care and hotel segments, continue to reinforce and highlight our advantage in these segments. We placed our focus on the development in Guangdong-Hong Kong Macao Greater Bay Area, and exploring the chance in winning tender bids which align with our corporate development strategies in order to layout ahead of the competitions. We will keep an eye on the development of Hainan free trade zone and planning in advance on the strategies and our market entry.

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

The Group will continue to optimize the project management process and improving the efficiency of the project management through business process re-engineering and innovative solution. We will maximize the utilization of the Group’s collective purchasing platform and to enhance the economy of scale, in order to ensure the premium quality of our projects.

### **3. Strengthen the talent pool**

The Group will strengthen the corporate culture and improve the cohesive force, communications skills, coordination skills, problem-solving skills of the team, and thrive to build a talent team branded as market-developing, professional, enterprising, transformational and comprehensive in management.

#### **4. Deepen the comprehensive governance of the Group**

The Group focuses on maintaining and improving the qualification, improving the research and development skills, maintaining and upgrading the brand value, integrated development in corporate finance and managing with standardized approach in refined segments, so as to promote our competitiveness and influential power.

### **FINANCIAL REVIEW**

#### **Operating revenue and gross profit margin**

The operating revenue of the Group comprised of primary business revenue and other business revenue. The operating revenue increased by 59.2% from approximately RMB159.9 million for the six months ended 30 June 2020 to approximately RMB254.6 million for the six months ended 30 June 2021. The Group's primary business revenue increased by 59.1% from approximately RMB159.8 million for the six months ended 30 June 2020 to approximately RMB254.2 million for the six months ended 30 June 2021. The increase in primary business revenue was mainly due to the fact that the significant adverse impacts on the building decoration business, as a direct consequence of the COVID-19 pandemic, already alleviated in the six months ended 30 June 2021.

The Group's gross profit increased by 40.2% from approximately RMB31.1 million for the six months ended 30 June 2020 to approximately RMB43.6 million for the six months ended 30 June 2021. The gross profit margin decreased from 19.5% for the six months ended 30 June 2020 to 17.1% for the six months ended 30 June 2021. Such decrease is mainly due to the severe competition that led to slightly lower gross margin in our new projects.

#### **Profit (loss) for the period**

Net profit for the six months ended 30 June 2021 was RMB4.1 million (the six months ended 30 June 2020: net loss of RMB21.5 million\*) or 1.6% (the six months ended 30 June 2020: -13.4%) of operating revenue, representing an achieved net profit turnaround.

The main reasons for the Group's increase in profit are (i) the cost reduction measures taken by the Group in response to the COVID-19 pandemic; (ii) the impact of COVID-19 pandemic has alleviated, resulting in the rebound of the economy and the Group's increased operating revenue; and (iii) during the corresponding period in 2020, the significant impairment provision was made in relation to certain large projects of which the settlement or payment process had been delayed.

\* Being presented in accordance with the adjustment for differences arising from the conversion from Hong Kong Financial Reporting Standard into CASBE on First Application Date. Please refer to page 23-24 of this announcement for more details.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021 and 31 December 2020, the Group had monetary capital (cash and cash equivalents and restricted cash) of approximately RMB66.1 million and approximately RMB159.5 million, respectively. The decrease in the monetary capital is primarily due to the decrease in bank borrowings for the six months ended 30 June 2021.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business development and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank borrowings. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

### 1. Account receivables and contract assets

The account receivables decreased from approximately RMB607.8 million as at 31 December 2020 to approximately RMB563.8 million as at 30 June 2021. The account receivables are the amounts due from customers in the ordinary course of business. The decrease is primarily due to the fact that the Company endeavored to accelerate the collection of the account receivables during the six months ended 30 June 2021.

The contract assets decreased from approximately RMB962.5 million as at 31 December 2020 to approximately RMB819.3 million as at 30 June 2021. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such decrease was mainly due to the fact that the Company endeavored to accelerate customers' endorsement of project progress report during the six months ended 30 June 2021.

### 2. Account payables and note payables

Account payables decreased from approximately RMB512.3 million as at 31 December 2020 to approximately RMB427.5 million as at 30 June 2021. Such decrease was due to the fact that during the first half of 2020 the more rigorously implemented national labor law shortened up the settlement term of labor fee. Note payables decreased from approximately RM55.0 million as at 31 December 2020 to approximately RMB35.0 million as at 30 June 2021. As at 30 June 2021, the Group's account receivables and fixed assets with carrying value of approximately RMB52.3 million (31 December 2020: RMB50.3 million) and approximately RMB42.9 million (31 December 2020: nil) respectively were pledged to secure notes payables as of approximately RMB35.0 million (31 December 2020: RMB55.0 million) which are also guaranteed by certain related parties (31 December 2020: same).

### **3. Short-term borrowings**

As at 30 June 2021, the Group had interest-bearing short term borrowings in the amount of approximately RMB284.9 million (31 December 2020: RMB364.3 million), majority of which are interest-bearing bank borrowings subject to repayment within 1 year. As of 30 June 2021, the Group did not have any inter-company borrowings. As at 30 June 2021, the Group's account receivables, investment property and fixed assets with carrying value of approximately RMB86.5 million (31 December 2020: RMB141.3 million and the time deposit of RMB15.0 million), approximately RMB0.6 million (31 December 2020: nil) and approximately RMB42.9 million (31 December 2020: nil) respectively were pledged to secure short-term borrowings as of approximately RMB284.9 million (31 December 2020: RMB364.3 million) which are also guaranteed by certain related parties (31 December 2020: same).

Among the collaterals aforementioned, account receivables and fixed assets with carrying value of approximately RMB52.3 million and approximately RMB42.9 million were pledged to secure both notes payables and short term borrowings of the Group simultaneously.

The gearing ratio was 21% as at 30 June 2021 (31 December 2020: 21%).

Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings plus lease liability less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt

### **4. Capital expenditure**

Capital expenditures decreased slightly from approximately RMB50.5 thousand for the Preceding Period to approximately RMB49.4 thousand for the Current Period.

### **5. Capital commitments**

As at 30 June 2021, the Group had no capital commitments (31 December 2020: nil).

### **6. Contingent liabilities**

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: nil).

### **7. 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.

## 8. Acquisitions or disposal

The Group did not have any significant acquisitions or disposal of subsidiaries or affiliated companies or assets during the six months ended 30 June 2021.

## 9. Adjustment for Differences in the Conversion of Hong Kong Financial Reporting Standards to the CASBE on the First Application Date

- (1) The Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports.
- (2) On the First Application Date of CASBE (1 January 2020), adjustment for differences between net profit and net assets disclosed in financial statements for the Conversion of Hong Kong Financial Reporting Standards to the CASBE for net profits and net assets in the statements is as follows:

	<b>January-June of 2020 Net profit</b>	<b>30 June 2020 Net assets</b>
In according with Hong Kong Financial Reporting Standards	(22,786,000.0)	1,255,503,000.0
Items and amount adjusted in accordance with the CASBE:		
Operating cost	1,319,000.0	—
In accordance with the CASBE	(21,467,000.0)	1,255,503,000.0

*Note:*

Since the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports, the enterprise that is directly engaged in the construction of the engineering projects is required to extract safety fees in accordance with CaiQi [2012] No. 16 “Administrative Measures on the Extraction and Usage of Production Safety Fees of Enterprises” and “Interpretation No. 1 of the Enterprise Accounting Standards” and the extracted safety fees shall be included in related products’ costs or profit or loss for the Current Period, and are reflected separately in the “4301 special reserve” under shareholders’ equity. Per the consolidated statement of change in equity disclosed in 2020 interim report issued on 16 September 2020, the safety reserve transfer back to the net profit as of RMB1.3 million during the six months ended 30 June 2020. Hence the aforementioned adjustment caused by conversion of the financial reporting standards would not affect the net asset of the Company.

- (3) Hong Kong Financial Reporting Standards did not require the Company to disclose Research and development expenses separately on the income statement as it is required by the CASBE. On the First Application Date of CASBE (1 January 2020), Research and development expenses was transferred out of Operating cost from primary business and Administrative expenses to be disclosed separately. These reclassification adjustment caused by conversion of the financial reporting standards would not affect the net asset or the net profit of the Company. The details are as below:

	<b>Operating cost in Preceding Period</b>	<b>Research and development expenses in Preceding Period</b>	<b>Administrative expenses in Preceding Period</b>
In according with Hong Kong Financial Reporting Standards	135,027,431.8		17,644,990.5
Items and amount adjusted in accordance with the CASBE :			
Transfer safety fee back from reserve into operating cost	-1,319,063.9		
Transfer Taxes and surcharges out of operating cost	-2,207,443.8		
Transfer Research and development expenses out of operating cost	-2,681,473.9	2,681,473.9	
Transfer from other cost into operating cost	27,885.6		
Transfer financial handling fee out of Administrative expenses			-195,981.5
Transfer Research and development expenses out of Administrative expenses		2,465,587.2	2,465,587.2
Transfer gain from disposal of assets pout of Administrative expenses			-4,703.3
Transfer Non-operating expenses out of Administrative expenses			-424,355.0
In accordance with the CASBE	128,847,335.8	5,147,061.1	14,554,363.5



## **EVENTS DURING THE REPORTING PERIOD**

### **Change of auditor and change of accounting standards**

On 13 January 2021, the Company announced that PricewaterhouseCoopers has resigned as auditor of the Company. The Board resolved to adopt the recommendations of the Audit Committee for the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (“**BDO**”) as the new auditor of the Company with effect from 4 January 2021 to fill the temporary vacancy arising from the resignation of PricewaterhouseCoopers and BDO shall hold office until the conclusion of the next annual general meeting of the Company. On the even date the Company has proposed to change the accounting standard of the Company from Hong Kong Financial Reporting Standards to China Accounting Standards for Business Enterprises (“**CASBE**”). On 5 March 2021, the shareholders of the Company approved the change of accounting standard. Please refer to the announcement of the Company dated 13 January 2021 and the circular of the Company dated 18 January 2021 for more details.

### **DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

### **CHANGES IN DIRECTORS’ AND SUPERVISOR’S INFORMATION**

Changes in information on Directors and Supervisor during the Reporting Period and up to the date of this announcement, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Ye Niangting retired as an executive Director of the Company at the annual general meeting of the Company dated 11 June 2021 (the “**AGM**”), with effect from the conclusion of the **AGM**.

Mr. Zhuang Liangbin was appointed and approved by the shareholders at the **AGM** as a non-executive Director with effect from the conclusion of the **AGM**.

Mr. Zu Li has resigned as a supervisor of the Company, with effect from the conclusion of the **AGM** due to personal career development plan.

Mr. Li Rui was appointed and approved by the shareholders at the **AGM** as a supervisor with effect from the conclusion of the **AGM**.

Save as the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

At no time during the Period was the Company or its subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions.

Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the Reporting Period. Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the Reporting Period.

The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code").

During the Reporting Period, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 relevant of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ye Yujing currently performs these two roles. The Board believes that the performance of the roles of both chairman and chief executive officer by the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority in the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## **REVIEW OF INTERIM RESULTS OF THE GROUP**

The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cheung Wai Yeung Michael (as chairman), Ms. Zhai Xin and Mr. Lin Zhiyang. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and has no disagreement with the accounting policies adopted by the Company.

## **PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.aidewei.cn](http://www.aidewei.cn)) respectively and the 2021 Interim Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Shenzhen, the PRC, 27 August 2021

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

\* *For identification purpose only*