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

ADWAY

GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

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

(Stock Code: 6189)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS
(in RMB million, unless otherwise stated)

	Year Ended 31 December		
	2019	2018	Change
Revenue	**1,542.8**	1,830.8	-15.7%
Gross Profit	**207.9**	253.1	-17.9%
Gross Profit Margin	**13.5%**	13.8%	-0.3 p.p
Profit for the year	**70.3**	130.7	-46.2%
Net Profit Margin	**4.6%**	7.1%	-2.5 p.p
Basic and diluted earnings per share *(RMB)*	**30.65 cents**	61.69 cents	-50.3%

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Adway Construction (Group) Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the previous year as follows:

(a) Consolidated Statement of Comprehensive Income

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	4	**1,542,807**	1,830,783
Cost of sales		**(1,334,955)**	(1,577,729)
Gross profit		**207,852**	253,054
Selling and marketing expenses		**(10,271)**	(11,624)
Administrative expenses		**(45,045)**	(41,023)
Net impairment losses on financial and contract assets		**(60,539)**	(20,126)
Other income — net		**7,637**	6,488
Operating profit		**99,634**	186,769
Finance income		**1,258**	2,442
Finance costs		**(27,224)**	(40,194)
Finance costs — net		**(25,966)**	(37,752)
Profit before income tax		**73,668**	149,017
Income tax expense	5	**(3,369)**	(18,304)
Profit for the year		**70,299**	130,713
Other comprehensive income		**—**	—
Total comprehensive income for the year		**70,299**	130,713
Total profit and comprehensive income attributable to:			
Owners of the Company		**70,299**	130,713
Earnings per share			
— Basic and diluted *(RMB)*	6	**30.65 cents**	61.69 cents

(b) Consolidated Statement of Financial Position

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**58,352**	74,427
Right-of-use-assets	8	**11,322**	—
Lease prepayments — land use rights		**—**	9,646
Investment properties		**689**	732
Intangible assets		**1,779**	3,545
Deferred income tax assets		**35,945**	26,976
Other receivables	10	**22,961**	20,941
		131,048	136,267
Current assets			
Inventories		**1,684**	—
Contract assets		**985,212**	1,581,757
Trade receivables	9	**1,255,004**	589,087
Prepayments and other receivables	10	**144,647**	117,113
Restricted cash		**12,330**	7,160
Cash and cash equivalents	11	**254,591**	180,059
		2,653,468	2,475,176
Total assets		**2,784,516**	2,611,443

(b) Consolidated Statement of Financial Position (Continued)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**240,931**	221,050
Share premium	12	**321,977**	218,598
Other reserves		**106,110**	77,448
Retained earnings		**609,271**	567,634
Total equity		**1,278,289**	1,084,730
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	**1,180**	—
Deferred revenue		**1,628**	1,701
		2,808	1,701
Current liabilities			
Trade and other payables	13	**956,361**	903,976
Contract liabilities		**117,673**	107,856
Borrowings	14	**417,158**	496,021
Lease liabilities	8	**793**	—
Current income tax liabilities		**11,434**	17,159
		1,503,419	1,525,012
Total liabilities		**1,506,227**	1,526,713
Total equity and liabilities		**2,784,516**	2,611,443

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Guangdong Adway Construction (Group) Holdings Company Limited (the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on 18 December 1996. On 3 December 2007, the Company was converted into a joint stock company with limited liability with registered capital of RMB30,800,000. Subsequently, with a series of capital injection in cash and share premium transferred as capital, registered capital of the Company was increased to RMB158,287,000.

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016 with the total share capital increased to RMB211,050,000. The Company issued additional 10,000,000 H shares on 30 November 2018 and 19,881,000 Domestic shares on 31 July 2019, and the total share capital increased to RMB240,931,000.

The principal place of business of the Company is 3rd Floor, Pengyi Garden Building 1, Bagua No.1 Road, Futian District, Shenzhen, the PRC. The Company and its subsidiaries (together the "**Group**") are principally engaged in provision of interior and exterior building decoration and design services in the PRC.

Mr. Ye Yujing ("**Mr. Ye**") and Mrs. Ye Xiujin ("**Ms. Ye**"), the wife of Mr. Ye, have been the controlling shareholders of the Group since its establishment.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance (Cap. 622)

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Annual improvements to HKFARS 2015–2017 cycle	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23
HK(IFRIC) 23	Uncertainty over income tax treatments

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 16. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards, amendments to standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been published but are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (Amendment)	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019 in Note (b) below.

As disclosed in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, applied the simplified transition approach and has not restated comparatives for the 2018 reporting period. Right-of-use assets were measured at the amount of the lease liabilities on adoption. There was no impact to the opening retained earnings. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) *Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The lease prepayments — land used rights are reclassified to right-of-use assets as at 31 December 2019 and 1 January 2019, respectively.

The recognised right-of-use assets mainly relate to property and land used rights.

The changes in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB1,244,000 of properties and RMB9,646,000 of land use rights
- lease liabilities — increase by RMB1,244,000
- land use right — decrease by RMB9,646,000

(b) *Accounting policies adopted since 1 January 2019*

The Group leases office. Rental contracts are typically entered into for fixed period of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 December 2018, leases of properties were classified as operating leases. Payments made under operating leases were recognised as an expense on a straight-line basis over the lease term.

From 1 January 2019 onwards, 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. Each lease payment is 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 asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

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:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, 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.

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
- 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.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in provision of interior and exterior building decoration and design services in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the board of directors of the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the years ended 31 December 2019 (2018: same).

As at 31 December 2019, all of the non-current assets were located in the PRC (2018: same).

4. REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from construction contracts	**1,497,150**	1,759,227
Sales of goods	**24,181**	54,690
Design and other income	**21,476**	16,866
Total	**1,542,807**	1,830,783

No customer individually accounted for more than 10% of the Group's revenue during the year ended 31 December 2019 (2018: nil).

5. INCOME TAX EXPENSE

	Year ended 31 December 2019 *RMB'000*	2018 *RMB'000*
Current income tax		
— PRC enterprise income tax	**12,338**	21,102
Deferred income tax	**(8,969)**	(2,798)
	3,369	18,304

Current taxation primarily represented 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 adjusted in accordance with the relevant tax laws and regulations in the PRC.

Pursuant to the PRC Enterprise Income Tax Law ("**EIT Law**"), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. The Company was recognised as High and New Technology Enterprise and thus enjoyed a proferential CIT rate of 15% for the year ended 31 December 2018. On 9 December 2019, the Company renewed the High and New Technology Enterprise Certificate which is effective for three years commencing on 1 January 2019. The applicable income tax rate is 15% for the years from 2019 to 2021. Assuming that there is no change to the relevant laws and regulations, the directors consider that the Company will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to EIT at a rate of 25% (2018: 25%) in accordance with EIT Law.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018.

	Year ended 31 December 2019	2018
Profit attributable to owners of the Company *(RMB'000)*	**70,299**	130,713
Weighted average number of ordinary shares in issue *(thousand shares)*	**229,384**	211,899
Basic earnings per share *(RMB)*	**30.65 cents**	61.69 cents

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2019. Diluted earnings per share for the year ended 31 December 2019 are the same as the basic earnings per share (2018: same).

7. DIVIDENDS

The board of directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2019 (2018: nil).

8. LEASES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	At 31 December 2019 *RMB'000*	At 1 January 2019 *RMB'000*
Right-of-use assets		
Lease prepayments — land used rights (i)	**9,360**	9,646
Properties	**1,962**	1,244
	11,322	10,890
Lease liabilities		
Current	**793**	487
Non-current	**1,180**	757
	1,973	1,244

(i) The balance represented prepaid operating lease payment for one piece of land located in the PRC for a lease term of 39 years.

(ii) Additions to the right-of-use assets during the 2019 financial year were RMB1,680,000.

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Depreciation charge of right-of-use assets		
Lease prepayments — land used rights	**286**	—
Properties	**962**	—
	1,248	—
Interest expense (included in finance cost)	**120**	—

9. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables (a)	**1,404,849**	624,025
Less: provision for impairment of trade receivables	**(170,396)**	(57,000)
Trade receivables — net	**1,234,453**	567,025
Notes receivable (b)	**20,551**	22,062
	1,255,004	589,087

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**777,519**	342,481
6 months to 1 year	**405,689**	76,777
1 year to 2 years	**89,599**	82,616
2 years to 3 years	**60,730**	64,806
3 years to 4 years	**43,160**	28,564
4 years to 5 years	**16,222**	10,648
Over 5 years	**11,930**	18,133
	1,404,849	624,025

Majority of the Group's revenues are generated through construction contracts with the credit terms of 15 days according to terms specified in the contracts governing the relevant transactions.

(a) Credit loss allowance of trade receivables

As at 31 December 2019, the credit loss allowance of trade receivables is as follows:

	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Collectively assessed:							
Governments and public institutions							
— Expected loss rate	**0.20%**	**2.00%**	**5.00%**	**10.00%**	**15.00%**	**40.00%**	
— Gross carrying amount *(RMB'000)*	**247,713**	**1,528**	**5,656**	**307**	**194**	**—**	**255,398**
— Loss allowance *(RMB'000)*	**(495)**	**(31)**	**(283)**	**(31)**	**(29)**	**—**	**(869)**
State-owned and municipal investment enterprises							
— Expected loss rate	**1.00%**	**6.00%**	**15.00%**	**50.00%**	**80.00%**	**100.00%**	
— Gross carrying amount *(RMB'000)*	**176,116**	**13,323**	**9,074**	**9,483**	**744**	**—**	**208,740**
— Loss allowance *(RMB'000)*	**(1,761)**	**(799)**	**(1,361)**	**(4,742)**	**(595)**	**—**	**(9,258)**
Well-known and high credit-rating enterprises							
— Expected loss rate	**1.00%**	**3.00%**	**7.00%**	**12.00%**	**30.00%**	**50.00%**	
— Gross carrying amount *(RMB'000)*	**290,402**	**36,913**	**1,635**	**—**	**—**	**—**	**328,950**
— Loss allowance *(RMB'000)*	**(2,904)**	**(1,107)**	**(114)**	**—**	**—**	**—**	**(4,125)**
Other enterprises							
— Expected loss rate	**3.00%**	**15.00%**	**30.00%**	**70.00%**	**80.00%**	**100.00%**	
— Gross carrying amount *(RMB'000)*	**399,657**	**37,835**	**42,686**	**18,198**	**2,256**	**—**	**500,632**
— Loss allowance *(RMB'000)*	**(11,990)**	**(5,675)**	**(12,806)**	**(12,739)**	**(1,805)**	**—**	**(45,015)**
Total collectively assessed:							
— Gross carrying amount *(RMB'000)*							**1,293,720**
— Loss allowance *(RMB'000)*							**(59,267)**
Individually assessed:							
— Gross carrying amount *(RMB'000)*							**111,129**
— Loss allowance *(RMB'000)*							**(111,129)**
Total							
— Gross carrying amount *(RMB'000)*							**1,404,849**
— Loss allowance *(RMB'000)*							**(170,396)**
							1,234,453

As at 31 December 2018, the credit loss allowance of trade receivables is as follows:

	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Collectively assessed:							
— Expected loss rate	0.00%	10.00%	30.00%	50.00%	80.00%	100.00%	
— Gross carrying amount *(RMB'000)*	156,619	15,928	10,473	10,290	71	—	193,381
— Loss allowance *(RMB'000)*	—	(1,593)	(3,142)	(5,145)	(57)	—	(9,937)
Individually assessed:							
— Gross carrying amount *(RMB'000)*							430,644
— Loss allowance *(RMB'000)*							(47,063)
Total							
— Gross carrying amount *(RMB'000)*							624,025
— Loss allowance *(RMB'000)*							(57,000)
							567,025

(b) As at 31 December 2019, notes receivable of the Group were mainly commercial acceptance notes, with due period less than 12 months (2018: same).

(c) The carrying amounts of trade receivables and notes receivable approximate their fair values due to their short term maturities. The Group's trade receivables are denominated in RMB.

(d) As at 31 December 2019, trade receivables of RMB210,594,000 were pledged for notes payable (Note 13) and borrowings (Note 14) (2018: RMB17,117,000).

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Prepayments	**97,736**	65,389
Deposits	**43,878**	41,980
Retention receivables	**18,942**	26,676
Other receivables	**7,052**	4,009
	167,608	138,054
Less: non-current portion		
Deposits	**(2,962)**	(6,591)
Retention receivables	**(19,999)**	(14,350)
	(22,961)	(20,941)
	144,647	117,113

11. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Denominated in RMB		
— Cash at bank	**254,541**	178,593
— Cash on hand	**18**	18
	254,559	178,611
Denominated in HKD		
— Cash at bank	**32**	1,448
Total	**254,591**	180,059

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares *'000*	Share Capital *RMB'000*	Share Premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
At 1 January 2018	211,050	211,050	168,472	379,522
Issuance of ordinary shares	10,000	10,000	52,135	62,135
Share issuance costs	—	—	(2,009)	(2,009)
At 31 December 2018	221,050	221,050	218,598	439,648
At 1 January 2019	221,050	221,050	218,598	439,648
Issuance of ordinary shares (a)	19,881	19,881	103,379	123,260
At 31 December 2019	240,931	240,931	321,977	562,908

(a) On 31 July 2019, 19,880,645 Domestic shares of RMB1.00 each were issued by the Company at a price of RMB6.20 per share for a total cash consideration of RMB123,260,000.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables (a)	**688,442**	676,356
Notes payable (b)	**103,500**	14,000
	791,942	690,356
Other tax payable	**140,707**	116,347
Deposits for share subscription to be refunded	**—**	78,000
Payroll payable	**10,590**	10,589
Other payables	**13,122**	8,684
	956,361	903,976

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**398,285**	541,037
6 months to 1 year	**137,297**	85,618
1 year to 2 years	**106,147**	45,469
2 years to 3 years	**42,987**	4,232
Over 3 years	**3,726**	—
	688,442	676,356

(b) As at 31 December 2019, notes payable of RMB50,000,000 were secured by the Group's trade receivables and contract assets of totalling RMB56,607,000 and guaranteed by certain related parties (2018: nil).

14. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank borrowings — secured	**401,928**	470,000
Bank borrowings — unsecured	**—**	10,000
Other borrowings — secured	**15,230**	16,021
	417,158	496,021

As at 31 December 2019 and 2018, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rate as at 31 December 2019 was 5.82% (2018: 5.95%) per annum.

As at 31 December 2019, borrowings were secured by the Group's trade receivables and contract assets of totalling RMB420,905,000 (2018: RMB400,697,000) and guaranteed by certain related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2019 is a year full of challenges and changes. Pressured by the on-going Sino-U.S. trade war in 2019, China's economic growth has slowed down and it inevitably had a major impact on the building decoration industry.

On the other hand, although the Chinese economy is facing a serious challenge, its huge growth potential remains. While the building decoration industry has encountered its development bottlenecks, the market demand on which the industrial development relies continues to be solid and strong. There is still room for growth, with opportunities and challenges co-exist. 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 licences in the building decoration industry.

During the review, the Group showed satisfactory performances in brand-building and business commencement in 2019:

1. Two representative boutique projects of the Group, namely "Refined decoration of ancillary business hotel to T3 Shenzhen airport" and "Exterior wall decoration of Dongfu Jiuzuo Premises in Chengdu" were awarded National Construction Engineering and Decoration Award (中國建築工程裝飾獎);

2. The Group has obtained one new qualification: Grade III General Contractor of Environmental Protection Engineering;

3. The Group was awarded three grand prizes including "Innovative Environmental Protection Leading Enterprise (創新環保先鋒企業)", "Shenzhen Craftsman Cultivating Model Enterprise (深圳工匠培育示範單位)" and "Shenzhen Enterprise Innovation Record (第十八屆深圳企業創新紀錄)", as well as being ranked the 356th in "Top 500 Guangdong Competitive Enterprises".

As at 31 December 2019, our Group had 22 branch offices and representative offices in 17 provinces, autonomous regions and municipalities.

Throughout 2019, the Group has signed 327 new contracts with a value of more than RMB1 million each, 39 contracts with a value of more than RMB10 million each, and 8 contracts with a value of more than RMB50 million each.

Throughout 2019, the Group carried out 442 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.8 billion, including 97 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.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 15.7% from approximately RMB1,830.8 million for the year ended 31 December 2018 to approximately RMB1,542.8 million for the year ended 31 December 2019. The decrease in revenue was mainly due to the decrease in revenue recognised from higher-valued contracts (each with a contract value of more than RMB10 million) in 2019.

The Group's gross profit decreased by 17.9% from approximately RMB253.1 million for the year ended 31 December 2018 to approximately RMB207.9 million for the year ended 31 December 2019. The gross profit margin decreased from 13.8% for the year ended 31 December 2018 to 13.5% for the year ended 31 December 2019, which is mainly due to the slowing down in market growth and severe competition leading to lower gross margin in our new projects.

Profit for the year

Profit for the year decreased by 46.2% from approximately RMB130.7 million for the year ended 31 December 2018 to approximately RMB70.3 million for the year ended 31 December 2019. The net profit margin were 4.6% and 7.1% for the years ended 31 December 2019 and 2018, respectively. Such decrease was mainly attributable to (1) the gross profit margin of the new projects decreased due to the slowing growth and increasing competition of building decoration industry; (2) due to the recent economic deterioration and after careful consideration, the Company made further provision in relation to certain large projects of which the settlement or payment process has been delayed.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2019 and 2018, the Group had cash and cash equivalents of approximately RMB254.6 million and approximately RMB180.1 million, respectively. The increase in cash and cash equivalents is primarily due to the cash inflow from operating activities for the year ended 31 December 2019.

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. Trade receivables and contract assets

The trade receivables increased significantly from approximately RMB589.1 million as at 31 December 2018 to approximately RMB1,255.0 million as at 31 December 2019. The trade receivables are the amounts due from customers in the ordinary course of business. Such increase mainly due to (a) in 2019, we have put in extra effort to urge customers with long due balance to come up into settlement agreements with us; and (b) in 2019, we strictly enforce the settlement clauses in the agreements in recognition of trade receivables.

The contract assets decreased from approximately RMB1,581.8 million as at 31 December 2018 to approximately RMB985.2 million as at 31 December 2019. 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 same reasons above-mentioned for the increase in the trade receivables.

2. Trade and other payables

Trade and other payables increased from approximately RMB904.0 million as at 31 December 2018 to approximately RMB956.4 million as at 31 December 2019 primarily due to our negotiation with suppliers for a longer settlement term. As at 31 December 2019, notes payables of RMB50.0 million were secured by the Group's trade receivables and contract assets of totalling RMB56.6 million and guaranteed by certain related parties (2018: nil).

3. Borrowings

As at 31 December 2019, the Group had borrowings amounting to approximately RMB417.2 million (2018: approximately RMB496.0 million) which are mainly interest-bearing bank borrowings and repayable within 1 year. As of 31 December 2019, the Group did not have any inter-company borrowings. As at 31 December 2019, borrowings were secured by the Group's trade receivables and contract assets of totalling RMB420.9 million (2018: RMB400.7 million) and guaranteed by certain related parties.

4. Gearing ratio

The gearing ratio was 11% as at 31 December 2019 while the ratio as at 31 December 2018 was 23%. The decrease was mainly attributable to an decrease in bank borrowing and an increase in cash and cash equivalents for the year ended 31 December 2019.

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

5. Capital expenditure

Capital expenditures decreased from approximately RMB4.8 million for the year ended 31 December 2018 to approximately RMB0.4 million for the year ended 31 December 2019 primarily because the Group has endeavoured to control our capital expenditure.

6. Capital commitments

As at 31 December 2019, the Group had no capital commitments (2018: nil).

7. Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: nil).

8. 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 manage the potential fluctuation in foreign currencies.

USE OF PROCEEDS

1. Use of proceeds from the initial public offering completed in November 2016

The Company's H shares were listed and commenced trading on the Stock Exchange on 25 November 2016, with net proceeds of approximately HK$228.1 million (amounted to approximately RMB203.4 million) after deducting relevant listing expenses. As at 31 December 2019, the net proceeds have been fully utilized, and the use of proceeds as stated in the prospectus dated 15 November 2016 remained unchanged.

The utilization breakdown is as follows:

(i) approximately RMB70.8 million was used to establish an internal online supply chain management platform;

(ii) approximately RMB31.1 million was used to improve and upgrade the Group's internal integrated IT infrastructure for business;

(iii) approximately RMB27.1 million was used to strengthen the Group's research and development capabilities and establish a research and development laboratory;

(iv) approximately RMB40.7 million was used to further expand the geographical coverage of the Group's services and optimise and the Group's branch network;

(v) approximately RMB13.8 million was used to upgrade the Group's design system and recruit more design professionals; and

(vi) approximately RMB19.9 million was used for supplementing working capital.

The Company has fully utilized such proceeds before 31 December 2019 in accordance with the expected timeframe as per the Company's announcement dated 11 October 2019.

2. **Use of proceeds from H shares placing completed in November 2018**

All the conditions set out in the Company's new H shares placing agreement have been fulfilled and the placing was completed on 30 November 2018, with net proceeds of approximately HK$67.7 million (amounted to approximately RMB60.1 million) after deducting relevant listing expenses.

As at 31 December 2019, the net proceeds have been fully utilized, and the usage of proceeds as stated in the announcement dated 15 November 2018 remained unchanged.

The utilization breakdown is as follows:

(i) approximately 25% (approximately RMB15.0 million) was used for working capital of the Company;

(ii) approximately 20% (approximately RMB12.0 million) was used for repayment of the bank facilities of the Company; and

(iii) approximately 55% (approximately RMB33.1 million) was used for business development of the Company, which was used for sourcing raw materials to be distributed/allocated to the Company's projects through the procurement online platform.

Among them above, the breakdown of the use of proceeds as working capital (RMB15.0 million) includes (i) payment of tender bond (RMB1.0 million), (ii) procurement of project materials (excluding the procurement of raw materials for procurement online platform) (RMB4.0 million), (iii) payment of performance bond (RMB1.9 million), (iv) prepayment of income tax (RMB7.7 million); and (v) payment of administrative and general expenses (RMB0.4 million).

The Company fully utilized such proceeds before 31 December 2019 in accordance with the expected timeframe as per the Company's announcement dated 11 October 2019.

3. **Use of proceeds from subscriptions of domestic shares completed in July 2019**

Reference is made to the announcements of the Company dated 9 May 2019, 22 May 2019 and 28 May 2019, and the circular of the Company dated 17 June 2019 (the "**Subscription Circular**") in relation to the subscription of domestic shares under the First Domestic Share Subscription Agreement and Second Domestic Share Subscription Agreements (as amended by the Termination Agreements) (collectively, the "**Subscription Agreements**"). Capitalised terms used herein shall have the same meanings as defined in the Subscription Circular.

The Subscription Agreements were completed on 31 July 2019, with net proceeds of approximately RMB123.0 million after deducting related expenses.

As at 31 December 2019, the net proceeds have been fully utilized, and the usage of proceeds as stated in the announcement dated 17 June 2019 remained unchanged.

The utilization breakdown of the fully utilized proceeds is as follows:

(i) approximately 25% (approximately RMB30.8 million) was used for working capital of the Company;

(ii) approximately 20% (approximately RMB24.7 million) was used for repayment of the bank facilities of the Company; and

(iii) approximately 55% (approximately RMB67.8 million) was used for business development of the Company, which was used for sourcing raw materials to be distributed/allocated to the Company's projects through the procurement online platform.

Among them above, the breakdown of the use of proceeds as working capital (RMB30.8 million) includes (i) payment of tender bond and performance bond (RMB9.3 million); (ii) procurement of project materials (excluding the procurement of raw materials for procurement online platform) (RMB15.4 million); (iii) prepayment of income tax (RMB4.6 million); and (iv) payment of administrative and general expenses (RMB1.5 million).

FUTURE DEVELOPMENT PROSPECT 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 2020, especially in the segment areas and regional markets, and enhance our performance from the longitudinal and lateral points of view. The Group believes that the following strategies will help further enhance its competitiveness and operating results:

1. To pay attention on 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.

OTHER INFORMATION

1. Purchases, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2019, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

2. Deed of non-competition

To ensure that competition will not exist in the future, Mr. Ye Yujing and Ms. Ye Xiujin as controlling shareholders (the "**Controlling Shareholders**") have entered into a deed of non-competition dated 16 September 2015 with the Company (the "**Deed of non-competition**").

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

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

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

3. Directors' Competing Interest

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

4. Compliance with the Corporate Governance Code

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During 2019, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Ye Yujing currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in 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 for 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 segregating the roles of chairman of the Board and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

5. **Model Code for Securities Transactions**

The Company has adopted the Model Code set out in Appendix 10 to the 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 year ended 31 December 2019 (the "**Relevant Period**") and the period after the Relevant Period to the date of this announcement.

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 Relevant Period.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 12 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the aforesaid annual general meeting, all transfer of shares of the Company, companied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 May 2020, being the business day before the first day of closure of the Register of Members.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aidewei.cn) and the 2019 Annual 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.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "**AGM**") will be held on Friday, 12 June 2020. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed with Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2019.

AUDITOR

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2019 have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement issued by the Company on 9 September 2019, the Company is considering applying to the China Securities Regulatory Commission (the "**CSRC**") for issue of A shares of the Company, and is also considering applying to the Shanghai Stock Exchange or the Shenzhen Stock Exchange for the listing of such A shares. The proposed issue of A shares is in progress and the Company will publish further announcement as and when appropriate. There is no assurance that the proposed issue of A shares will proceed and the proposed issuance is subject to, among other matters, the approvals by the shareholders of the Company, CSRC and other relevant regulatory authorities. Shareholders and potential investors of the Company are advised to exercise caution when trading in the shares of the Company.

Due to the outbreak of the Coronavirus Disease 2019 (COVID-19) epidemic in the PRC in January 2020, the Group's operational and financial performance, as well as the construction decoration industry in general are expected to be affected by the epidemic in the first half of 2020. Individual projects in Hubei province may be delayed, but the actual impact is still under assessment by the Group. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of issue of these consolidated financial statements, the assessment is still in progress.

Save as disclosed elsewhere in this announcement, there is no important event affecting the Group which has occurred after the reporting period.

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

Shenzhen, the PRC, 30 March 2020

As of the date of this announcement, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Ms. Li Yuanfei 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*