



**广东爱得威建设(集团)股份有限公司**

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

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

Stock code: 6189

# Interim Report 2020

## CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	6
Interim Condensed Consolidated Statement of Comprehensive Income	11
Interim Condensed Consolidated Statement of Financial Position	12
Interim Condensed Consolidated Statement of Changes in Equity	13
Interim Condensed Consolidated Statement of Cash Flows	14
Notes to the Interim Condensed Consolidated Financial Information	15

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. YE Yujing (葉玉敬先生)  
Ms. YE Xiujin (葉秀近女士)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. YE Niangting (葉娘汀先生)  
Mr. YE Jiajun (葉家俊先生) (appointed on 28 August 2020)  
Mr. LIU Yilun (劉奕倫先生) (resigned on 23 July 2020)

### Non-Executive Director

Ms. LI Yuanfei (黎媛菲女士)

### Independent Non-Executive Directors

Mr. CHEUNG Wai Yeung Michael (張威揚先生)  
Mr. LIN Zhiyang (林志揚先生)  
Ms. ZHAI Xin (翟昕女士)

## SUPERVISORS

Mr. ZU Li (祖力先生)  
Mr. YE Weizhou (葉偉周先生)  
Mr. TIAN Wen (田文先生)

## AUDIT COMMITTEE

Mr. CHEUNG Wai Yeung Michael (張威揚先生) (Chairman)  
Mr. LIN Zhiyang (林志揚先生)  
Ms. ZHAI Xin (翟昕女士)

## NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) (Chairman)  
Mr. YE Yujing (葉玉敬先生)  
Ms. ZHAI Xin (翟昕女士)

## REMUNERATION COMMITTEE

Ms. ZHAI Xin (翟昕女士) (Chairman)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. CHEUNG Wai Yeung Michael (張威揚先生)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

## STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) (Chairman)  
Ms. ZHAI Xin (翟昕女士)  
Mr. LIN Zhiyang (林志揚先生)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. YE Jiajun (葉家俊先生) (appointed on 28 August 2020)  
Mr. LIU Yilun (劉奕倫先生) (resigned on 23 July 2020)

## AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)  
Ms. KOU Yue (寇悅女士)

## AUDITOR

PricewaterhouseCoopers

## H SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank  
Bank of China  
Industrial and Commercial Bank of China  
Bank of Communications (Hong Kong)

## COMPANY SECRETARY

Ms. KOU Yue (寇悅女士) (FCCA, CPA, MAcc)  
Mr. LIU Yilun (劉奕倫先生) (resigned on 23 July 2020)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2203, Level 22  
Office Tower, Langham Place  
8 Argyle Street  
Mong Kok, Kowloon  
Hong Kong

## STOCK CODE

6189

## COMPANY'S WEBSITE

<http://www.aidewei.cn>

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

The first half of 2020 is a period full of challenges and changes. Pressured by the on-going Sino-U.S. trade war, the PRC economic growth has slowed down particularly in the first half of 2020, the Coronavirus (COVID-19) epidemic had caused a major impact on the business and operations of the Group and the building decoration industry.

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 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 licenses in the building decoration industry.

Looking back in the first half of 2020, the Group had outstanding performances in brand-building and business operation, and was awarded Hainan Building Decoration Award and Jinan Building Decoration "Quancheng Cup" Award. The Group was awarded by the government as "The Contract-Abiding and creditworthy enterprise in Guangdong Province for 16 consecutive years".

The Group has established a wide operations network. As at 30 June 2020, there are 21 branches and offices in 15 provinces, autonomous regions and municipalities in the PRC.

In the first half of 2020, the Group has signed 61 new contracts with a value of more than RMB1 million each and 6 contracts with a value of more than RMB10 million each.

During the six months ended 30 June 2020 (the "Reporting Period"), the Group carried out 314 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB2.6 billion, including 57 projects with a contract value of more than RMB10 million each and 6 projects with a contract value of more than RMB50 million each.

## FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to become a global leading supplier of integrated service for green decoration, the Group will be committed to its core business, especially in the subdivision and regional markets, and integrate them to enhance our performance in the second half of 2020. The Group believes that the following strategies will help further enhance its competitiveness and business achievements:

### 1. Focus on market segment and regional development

The Group will focus on the support and development of the business segments in medical healthcare and hotel categories and continue to reinforce and highlight our advantages in these segments. We will focus on the development in Great Bay Area, establishing Great Bay Area business departments, placing more efforts in tendering bids and bidding which is in line with our corporate development strategies in order to achieve a leading position by planning ahead. We will keep an eye on the development of Hainan free trade zone and enter the market with layout in due course.

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

The Group will continuously optimise the project management process and improve the efficiency of the project management through business process reengineering and innovation. We will maximize the utilization of the Group's collective purchasing platform to enhance the economies of scale, in order to assure the quality of our projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Strengthen the talent reserve

The Group will strengthen the corporate culture and improve the cohesive force, communications skills, coordination skills, problem-solving skills of its team, and strive to build a “market-developing, professional, career enterprising, transformation-led, management-composite” team.

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

The Group will continue to focus on the refined segments of maintaining and improving qualification, advancing research and development skills, maintaining and upgrading brand value, integrated development in corporate finance and corporate management with standardized approach, so as to improve our competitiveness and influence.

## FINANCIAL REVIEW

The Group’s revenue decreased by 78.55% from approximately RMB744.88 million for the six months ended 30 June 2019 to approximately RMB159.75 million for the six months ended 30 June 2020. The decrease in revenue was mainly due to the continuous outbreak of COVID-19 in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces which have caused significant adverse effects on the building decoration business of the Group.

Gross profit for the six months ended 30 June 2020 amounted to approximately RMB24.72 million (six months ended 30 June 2019: RMB92.15 million), representing a gross profit margin of approximately 15.48% (six months ended 30 June 2019: 12.37%) and representing an increase in gross profit margin of 3.11 percentage points. Such increase was mainly due to the increased proportion of scattered projects and design projects as total revenue declined, which have higher gross profit margin.

Operating loss for the six months ended 30 June 2020 was approximately RMB19.76 million (six months ended 30 June 2019: operating profit of RMB67.62 million) or -12.37% (six months ended 30 June 2019: 9.08%) of revenue, representing a decrease of 129.22% in operating profit. The decrease in operating profit was mainly due to a decrease in gross profit.

Net loss for the six months ended 30 June 2020 was RMB22.79 million (six months ended 30 June 2019: net profit of RMB52.90 million) or -14.27% (six months ended 30 June 2019: 7.10%) of revenue representing a decrease of 143.08% in net profit. The causes that turned a profit into a loss were mainly comprised of (1) the continuous outbreak of COVID-19 in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces which have caused significant adverse effects on the building decoration business of the Group; (2) due to the outbreak of COVID-19 and recent economic deterioration, after reviewing the expected credit loss and considering forward-looking information, the Company made further provision in relation to certain large projects of which the settlement or payment process have been delayed.

For the six months ended 30 June 2020, loss per share was 9.46 cents (six months ended 30 June 2019: profit per share was 23.93 cents), representing a decrease of 139.53% in earnings per share.

### Liquidity and financial resources

As at 31 December 2019 and 30 June 2020, the Group had cash and cash equivalents of approximately RMB254.6 million and approximately RMB71.5 million, respectively.

The decrease in the Group’s cash and cash equivalents is mainly due to the net cash used in operating and financing activities for the six months ended 30 June 2020.

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.

The contract assets decreased from approximately RMB985.2 million as at 31 December 2019 to approximately RMB837.3 million as at 30 June 2020, representing a decrease of 15.01%. The level of the contract assets as of a given reporting date is mainly affected by the duration between its submission of interim progress payment application and the customer’s endorsement on the project progress report. Such decrease was mainly due to the fact that during the first half of 2020 we endeavored to accelerate customers’ endorsement of project progress report.

# MANAGEMENT DISCUSSION AND ANALYSIS

Trade and other payables decreased from approximately RMB956.4 million as at 31 December 2019 to approximately RMB651.3 million as at 30 June 2020, representing a decrease of 31.90%. 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.

## **Charges on assets**

As at 30 June 2020, trade receivables, contract assets and term deposits of totaling RMB431.2 million were pledged as collateral for the Group's borrowings (As at 31 December 2019: trade receivables and contract assets of totaling RMB420.9 million were pledged as collateral for the Group's borrowings).

## **Capital structure**

The Company's issued share capital as at 30 June 2020 is RMB240,930,645 divided into 240,930,645 shares of RMB1.00 each, of which 62,763,000 shares of RMB1.00 each is issued H shares.

As at 30 June 2020, the Group had interest-bearing bank borrowings in the amount of approximately RMB337.2 million (31 December 2019: bank borrowings and other borrowings approximately RMB417.2 million) which are subject to repayment within 1 year.

The gearing ratio was 18% as at 30 June 2020 (31 December 2019: 11%). Such increase was mainly due to a decrease in cash and cash equivalents.

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.

## **Significant investments held, material acquisition and disposals of subsidiaries or affiliated companies**

The Group has not held any significant investments, nor made any acquisitions or disposals of subsidiaries or affiliated companies during the Reporting Period under review.

## **Contingent Liabilities**

As at 30 June 2020, the Group had no material contingent liabilities.

## **DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

## **EMPLOYEES**

As at 30 June 2020, the Group had 360 employees. The staff costs for the six months ended 30 June 2020 were approximately RMB11.66 million. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. The policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

## **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.

## OTHER INFORMATION

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

As at 30 June 2020, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
YE Yujing (葉玉敬) <sup>(Note 3)</sup>	Beneficial Owner	67,694,000 (Domestic Shares)	37.99%	28.10%
	Interest of spouse	15,504,000 (Domestic Shares)	8.70%	6.44%
YE Xiujin (葉秀近) <sup>(Note 4)</sup>	Beneficial Owner	15,504,000 (Domestic Shares)	8.70%	6.44%
	Interest of spouse	67,694,000 (Domestic Shares)	37.99%	28.10%
YE Guofeng (葉國鋒) <sup>(Note 5)</sup>	Interest in a controlled corporation	6,075,000 (Domestic Shares)	3.41%	2.52%
LI Yuanfei (黎媛菲) <sup>(Note 6)</sup>	Interest in a controlled corporation	22,580,645 (Domestic Shares)	12.67%	9.37%

Notes:

- The calculation is based on the percentage of shareholdings in the Domestic Shares.
- The calculation is based on the total number of 240,930,645 Shares in issue after the issue of 19,880,645 new Domestic Shares.
- Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
- Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
- Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) (“Shenzhen Gong Xiang Li”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang Li.
- Ms. Li Yuanfei is a partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) (“Shenzhen Qianhai Xingwang”). Shenzhen Qianhai Xingwang is the general partner of Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)) (“Ningbo Xingwang Yinghua”), and Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區贏享投資中心(有限合夥)) (“Ningbo Yingxiang”), which are interested in 10,000,000 and 12,580,645 domestic shares of the Company respectively. In light of the above, Ms. Li Yuanfei is deemed to be interested in all shares held by Ningbo Xingwang Yinghua and Ningbo Yingxiang under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors and chief executive of the Company or their associates has any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

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

As at 30 June 2020, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

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



## OTHER INFORMATION

Name of Shareholders	Class of Shares held after the Global Offering	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
Huang Li (黃荔) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Ding Bao Yu (丁寶玉) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Ye Xian (葉縣)	Domestic Shares	Beneficial Owner	10,336,000	5.80%	4.29%

### Notes:

- The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).
- The calculation is based on the total number of 240,930,645 Shares in issue after the issue of 19,880,645 new Domestic shares.
- Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) ("**Ningbo Yingxiang**") is a limited partnership incorporated in the PRC on 10 May 2017. As at 30 June 2020, Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binqun, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.
- Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("**Ningbo Xingwang Yinghua**", a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management as at 30 June 2020. As at 30 June 2020, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.
- South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) ("**South China Sea LP**", a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as at 30 June 2020, (i) Shenzhen Co-Win Jinxiu Asset Management Limited ("**Shenzhen Co-Win Jinxiu Asset**"); (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited ("**Shenzhen Co-Win Asset**"). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited ("**Shenzhen Co-Win Venture Capital**", 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創贏投資合夥企業 (有限合夥)) ("**Shenzhen Co-Win Victory LP**"), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as at 30 June 2020, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

Save as disclosed above, as at 30 June 2020, the Directors, Supervisors and chief executive of the Company are not aware of any person (who are not Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

## OTHER INFORMATION

### 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 report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Liu Yilun resigned as an executive Director, vice president, joint company secretary and a member of the strategy committee of the Company with effect from 23 July 2020.

Mr. Ye Jiajun was appointed and approved by the shareholders at the extraordinary general meeting of the Company (the "EGM") as an executive Director and a member of the strategy committee of the Company with effect from the conclusion of the EGM dated 28 August 2020.

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 Reporting 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 2020.

### 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 Reporting 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.

## OTHER INFORMATION

### REVIEW OF INTERIM REPORT

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 interim financial report of the Group for the six months ended 30 June 2020 and has no disagreement with the accounting policies adopted by the Company.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD

#### **Amendments to the articles of association**

On 28 August 2020, the amendments to the articles of association of the Company which were made in view of the changes in regulatory requirements, were approved by the shareholders of the Company among other things, at the EGM. For details, please refer to the circular of the Company dated 13 July 2020.

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, 28 August 2020

\* For identification purpose only

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>	6	<b>159,751</b>	744,876
Cost of sales		<b>(135,027)</b>	(652,728)
<b>Gross profit</b>		<b>24,724</b>	92,148
Selling and marketing expenses		<b>(4,930)</b>	(4,223)
Administrative expenses		<b>(17,645)</b>	(18,708)
Net impairment losses on financial and contract assets		<b>(32,423)</b>	(7,333)
Other income — net		<b>10,518</b>	5,737
<b>Operating (loss)/profit</b>		<b>(19,756)</b>	67,621
Finance income		<b>253</b>	1,103
Finance costs		<b>(14,824)</b>	(15,750)
Finance costs — net		<b>(14,571)</b>	(14,647)
<b>(Loss)/profit before income tax</b>		<b>(34,327)</b>	52,974
Income tax credit/(expense)	7	<b>11,541</b>	(78)
<b>(Loss)/profit for the period</b>		<b>(22,786)</b>	52,896
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income for the period</b>		<b>(22,786)</b>	52,896
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>(22,786)</b>	52,896
<b>(Loss)/earnings per share</b>			
— Basic and diluted (RMB)	8	<b>(9.46) cents</b>	23.93 cents

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	10	56,399	58,352
Right-of-use-assets		11,354	11,322
Investment properties		667	689
Intangible assets		892	1,779
Deferred income tax assets		40,440	35,945
Other receivables	12	15,431	22,961
		<b>125,183</b>	131,048
<b>Current assets</b>			
Inventories		1,331	1,684
Contract assets		837,291	985,212
Trade receivables	11	1,071,129	1,255,004
Prepayments and other receivables	12	255,257	144,647
Restricted cash		40,828	12,330
Cash and cash equivalents		71,493	254,591
		<b>2,277,329</b>	2,653,468
<b>Total assets</b>		<b>2,402,512</b>	2,784,516
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		240,931	240,931
Share premium		321,977	321,977
Other reserves		104,791	106,110
Retained earnings		587,804	609,271
<b>Total equity</b>		<b>1,255,503</b>	1,278,289
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,264	1,180
Deferred revenue		1,593	1,628
		<b>2,857</b>	2,808
<b>Current liabilities</b>			
Trade and other payables	13	651,295	956,361
Contract liabilities		153,634	117,673
Borrowings	14	337,222	417,158
Lease liabilities		827	793
Current income tax liabilities		1,174	11,434
		<b>1,144,152</b>	1,503,419
<b>Total liabilities</b>		<b>1,147,009</b>	1,506,227
<b>Total equity and liabilities</b>		<b>2,402,512</b>	2,784,516

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Unaudited:</b>					
<b>Balance at 1 January 2020</b>	<b>240,931</b>	<b>321,977</b>	<b>106,110</b>	<b>609,271</b>	<b>1,278,289</b>
Comprehensive income					
— Loss for the period	—	—	—	(22,786)	(22,786)
Total comprehensive income	—	—	—	(22,786)	(22,786)
Transfer to safety reserve	—	—	(1,319)	1,319	—
<b>Balance at 30 June 2020</b>	<b>240,931</b>	<b>321,977</b>	<b>104,791</b>	<b>587,804</b>	<b>1,255,503</b>
<b>Unaudited:</b>					
<b>Balance at 1 January 2019</b>	221,050	218,598	77,448	567,634	1,084,730
Comprehensive income					
— Profit for the period	—	—	—	52,896	52,896
Total comprehensive income	—	—	—	52,896	52,896
Transfer to statutory reserve	—	—	4,312	(4,312)	—
Transfer to safety reserve	—	—	9,942	(9,942)	—
<b>Balance at 30 June 2019</b>	<b>221,050</b>	<b>218,598</b>	<b>91,702</b>	<b>606,276</b>	<b>1,137,626</b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(69,562)	(50,689)
PRC enterprise income tax paid	(3,214)	(9,304)
Net cash used in operating activities	(72,776)	(59,993)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(198)	(81)
Proceeds from disposal of property	2	13,420
Interest received	253	1,103
Net cash generated from investing activities	57	14,442
<b>Cash flows from financing activities</b>		
Proceeds from deposits for share subscription	—	123,260
Repayment of deposits for share subscription	—	(78,000)
Increase in term deposits pledged for bank borrowings	(15,000)	—
Proceeds from borrowings	209,250	422,812
Repayments of borrowings	(289,186)	(474,556)
Repayments of lease liabilities	(335)	(622)
Interests paid	(15,108)	(15,740)
Net cash used in financing activities	(110,379)	(22,846)
<b>Net decrease in cash and cash equivalents</b>	(183,098)	(68,397)
Cash and cash equivalents at beginning of the period	254,591	180,059
Exchange losses on cash and cash equivalents	—	(10)
<b>Cash and cash equivalents at end of the period</b>	71,493	111,652

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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 approximately 19,881,000 Domestic shares on 31 July 2019, and the total share capital increased to approximately 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 the provision of interior and exterior building decoration and design services in the PRC.

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

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 28 August 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting”. 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 2019 and any public announcements made by the Company during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
<i>Revised Conceptual Framework for Financial Reporting</i>	

The adoption of applicable new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

### (b) New standards and amendments to standards not yet adopted by the Group

The following new standards and amendments to standards are not yet effective for financial year beginning 1 January 2020 and have not been early adopted:

	<b>Effective for annual periods beginning on or after</b>
HKFRS 17	1 January 2021
Amendments to HKFRS 10 and HKAS 28	To be determined
Insurance contracts	
Sale or contribution of assets between an investor and its associate or joint venture	



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

The outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in the first half of 2020 induced the numerous shutdowns and suspensions of commercial activities in certain cities and provinces in the PRC which have caused significant adverse effects on the building decoration business of the Group, which also led to further provision in relation to certain large projects of which the settlement or payment process have been delayed after the management reviewed the expected credit loss and considered forward-looking information.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There has been no change in the risk management policies since 31 December 2019.

### 4.2 Credit risk

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

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

#### (i) Risk management

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4. FINANCIAL RISK MANAGEMENT *(Continued)*

### 4.2 Credit risk *(Continued)*

#### *(ii) Impairment of financial assets*

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

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

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

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

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

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

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

### 4.3 Liquidity risk

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### 4.3 Liquidity risk (Continued)

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

	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
<b>As at June 30 2020 (Unaudited)</b>			
Borrowings	348,951	—	348,951
Trade and other payables (excluding other tax payable and payroll payable)	532,420	—	532,420
Lease liabilities	911	1,324	2,235
	<b>882,282</b>	<b>1,324</b>	<b>883,606</b>
<b>As at 31 December 2019 (Audited)</b>			
Borrowings	428,846	—	428,846
Trade and other payables (excluding other tax payable and payroll payable)	805,064	—	805,064
Lease liabilities	885	1,276	2,161
	<b>1,234,795</b>	<b>1,276</b>	<b>1,236,071</b>

### 4.4 Fair value estimation

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

## 5. SEGMENT INFORMATION

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

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

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

As at 30 June 2020, all of the non-current assets were located in the PRC (31 December 2019: same).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. REVENUE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from construction contracts	146,462	719,462
Sales of goods	4,128	13,497
Design and other income	9,161	11,917
	<b>159,751</b>	744,876
Timing of revenue recognition:		
— Over time	155,623	731,379
— At a point in time	4,128	13,497
	<b>159,751</b>	744,876

## 7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax	(7,046)	1,178
Deferred income tax	(4,495)	(1,100)
	<b>(11,541)</b>	78

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%. On 9 December 2019, the Company renewed the High and New Technology Enterprises 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% (six months ended 30 June 2019: 25%) in accordance with EIT Law.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 7. INCOME TAX (CREDIT)/EXPENSE (Continued)

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the tax rate applicable to (loss)/profit of the consolidated entities as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
(Loss)/profit before income tax	(34,327)	52,974
Calculated at applicable tax rate	(5,173)	7,920
Expenses not deductible for tax purposes	169	40
Unrecognised temporary difference	509	64
Additional deduction on research and development expenses (a)	(7,046)	(7,946)
	(11,541)	78

(a) The additional deduction on research and development expenses are claimed directly in the annual EIT filing and recognised upon approval of the in-charge tax authority during the period.

## 8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(22,786)	52,896
Weighted average number of ordinary shares in issue (thousand shares)	240,931	221,050
Basic (loss)/earnings per share (RMB)	(9.46) cents	23.93 cents

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019. Diluted earnings per share is the same as the basic earnings per share.

## 9. DIVIDENDS

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six month ended 30 June 2019: none).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 10. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Total RMB'000
<b>Six months ended 30 June 2020 (Unaudited)</b>					
Opening amount as at 1 January 2020	51,984	—	5,306	1,062	58,352
Additions	—	157	—	41	198
Disposal	—	—	—	(2)	(2)
Depreciation	(1,033)	(72)	(832)	(212)	(2,149)
<b>Closing amount as at 30 June 2020</b>	<b>50,951</b>	<b>85</b>	<b>4,474</b>	<b>889</b>	<b>56,399</b>
<b>Six months ended 30 June 2019 (Unaudited)</b>					
Opening amount as at 1 January 2019	66,087	—	7,155	1,185	74,427
Additions	—	—	60	21	81
Disposal	(11,919)	—	—	—	(11,919)
Depreciation	(1,150)	—	(954)	(185)	(2,289)
<b>Closing amount as at 30 June 2019</b>	<b>53,018</b>	<b>—</b>	<b>6,261</b>	<b>1,021</b>	<b>60,300</b>

Depreciation of the property and equipment has been charged to administrative expenses and selling and marketing expenses.

## 11. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables (a)	1,254,564	1,404,849
Less: provision for impairment of trade receivables	(200,283)	(170,396)
Trade receivables — net	1,054,281	1,234,453
Notes receivable (b)	16,848	20,551
	<b>1,071,129</b>	1,255,004

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. TRADE RECEIVABLES *(Continued)*

(a) Ageing analysis of trade receivables based on invoice date is as follow:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 6 months	<b>210,889</b>	777,519
6 months to 1 year	<b>459,811</b>	405,689
1 year to 2 years	<b>425,292</b>	89,599
2 years to 3 years	<b>62,567</b>	60,730
Over 3 years	<b>96,005</b>	71,312
	<b>1,254,564</b>	1,404,849

(b) As at 30 June 2020, notes receivable of the Group were mainly commercial acceptance notes, with maturity of less than 12 months (31 December 2019: same).

## 12. PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Prepayments	<b>220,091</b>	97,736
Deposits	<b>31,533</b>	43,878
Retention receivables	<b>11,335</b>	18,942
Other receivables	<b>7,729</b>	7,052
	<b>270,688</b>	167,608
Less: non-current portion		
Deposits	<b>(13,094)</b>	(19,999)
Retention receivables	<b>(2,337)</b>	(2,962)
	<b>(15,431)</b>	(22,961)
	<b>255,257</b>	144,647

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables (a)	383,691	688,442
Notes payable (b)	120,000	103,500
Other tax payable	111,828	140,707
Payroll payable	7,047	10,590
Other payables	28,729	13,122
	<b>651,295</b>	956,361

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 6 months	63,331	398,285
6 months to 1 year	125,181	137,297
1 year to 2 years	108,460	106,147
2 years to 3 years	69,800	42,987
Over 3 years	16,919	3,726
	<b>383,691</b>	688,442

(b) As at 30 June 2020, notes payable of RMB50,000,000 (31 December 2019: RMB50,000,000) were secured by the Group's trade receivables and contract assets of totalling RMB41,021,000 (31 December 2019: RMB56,607,000), and certain real estate properties of controlling shareholders and guaranteed by controlling shareholders (Note 15) (31 December 2019: same).

## 14. BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bank borrowings — secured	337,222	401,928
Other borrowings — secured	—	15,230
	<b>337,222</b>	417,158

As at 30 June 2020 and 31 December 2019, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rate of bank borrowings as at 30 June 2020 was 5.79% (31 December 2019: the weighted average effective interest rates of bank borrowings and other borrowings were 5.67% and 9.55%, respectively) per annum.

As at 30 June 2020, secured borrowings were secured by the Group's trade receivables and contract assets of totalling RMB416,180,000 (31 December 2019: RMB420,905,000), pledged by term deposits of totalling RMB15,000,000 (31 December 2019: nil), certain real estate properties of controlling shareholders and guaranteed by controlling shareholders (Note 15) (31 December 2019: same).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 15. RELATED PARTY TRANSACTIONS

### (a) Key management compensation

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries and other benefits	1,323	1,408
Contribution to pension scheme	47	101
<b>Total</b>	<b>1,370</b>	<b>1,509</b>

- (b) The Group's borrowings of RMB322,972,000 and notes payable of RMB50,000,000 as at 30 June 2020 have been guaranteed by the controlling shareholders, Mr. Ye and Ms. Ye and certain shareholders of the Group (31 December 2019: the Group's borrowings of RMB417,158,000 and notes payable of RMB50,000,000 have been guaranteed by the controlling shareholders, Mr. Ye and Ms. Ye and certain shareholders of the Group).