



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

Annual Report 2020

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生)
Mr. LIU Yilun (劉奕倫先生) (Resigned on 23 July 2020)
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)

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)
Ms. ZHAI Xin (翟昕女士)
Mr. LIN Zhiyang (林志揚先生)

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)
Ms. ZHAI Xin (翟昕女士)
Mr. LIN Zhiyang (林志揚先生)

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. LIU Yilun (劉奕倫先生) (Resigned on 23 July 2020)
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Jiajun (葉家俊先生) (Appointed on 28 August 2020)

AUTHORISED REPRESENTATIVES

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

AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP

H SHARE REGISTRAR

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

PRINCIPAL BANKS

Bank of China
China Construction Bank
Industrial and Commercial Bank of China

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

Room 705, 7F., Office Plus @ Prince Edward
794-802 Nathan Road
Kowloon, Hong Kong

STOCK CODE

6189

COMPANY'S WEBSITE

<http://www.aidewei.cn>

FINANCIAL SUMMARY

(in RMB million, unless otherwise stated)

CONSOLIDATED RESULTS

	2020	For the year ended 31 December			
		2019	2018	2017	2016
Revenue	910.6	1,543.0	1,830.8	1,672.8	1,728.5
Gross Profit	151.9	246.4	253.1	224.2	204.8
Gross Profit Margin	16.7%	16.0%	13.8%	13.4%	11.8%
Profit/(loss) for the Year	(331.7)	46.3	130.7	115.8	107.6
Net Profit/(loss) Margin	(36.4%)	3.0%	7.1%	6.9%	6.2%
Basic and diluted earnings/(loss) per share (RMB)	(138 cents)	20 cents	61.69 cents	54.89 cents	65.82 cents

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2020	As at 31 December			
		2019	2018	2017	2016
Non-current assets	168.0	111.1	136.3	148.9	123.2
Current assets	1984.7	2,673.5	2,475.2	1,969.4	1,442.1
Non-current liabilities	3.0	3.6	1.7	1.8	1.8
Current liabilities	1,199.6	1,502.6	1,525.0	1,216.3	779.1
Total equity	950.1	1,278.3	1,084.7	900.2	784.4

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors (the "Board") of Guangdong Adway Construction (Group) Holdings Company Limited, I hereby presented to you the annual report of the Company and its subsidiaries for the year ended 31 December 2020.

1. REVIEW OF THE 2020 RESULTS

In 2020, attributed to the significant impact of COVID-19 on the operating results for the year ended 31 December, 2020, under the downward pressure of the overall domestic economy, the slowing in market growth in the industry and the increasing market competition, the Group encountered the turn from profit into loss.

Throughout 2020, we strive to overarching the strategic positioning on "Industry + Finance + Technology + Brand", strengthened the Group's competitive edge, market share, social influence and brand impact, leading to our customers' wide respect.

2. 2020 WORK REVIEW

During 2020, the Group had been dedicated to the following:

(1) Remarkable results in strengthening the performance of our branch offices and exploring into the new markets

By implementing the operating strategy "results oriented and all staff, marketing by all" ("業績為王，全員營銷") and employee incentive mechanism, we involved all our employees in marketing.

(2) Modify internal project categorizations with smart medical decorative work anew growth driver

The Group has modified the project categorization, which were grouped into commercial, residential, curtain wall, hotel, hospital, mechanical and electrical engineering.

(3) Continue to cultivate our boutique projects and set the industry benchmark

In the past year, we participated in project bids conducted across the country, and launched substantive projects in full swings all over China after winning the tender bids. Many of our important boutique projects have been progressed or completed as scheduled, even under the negative influence of COVID-19.

(4) Green Adway, High-tech Adway and Innovative Adway

In the past year, focusing on the theme "Green Adway, High-tech Adway and Innovative Adway", we continued to develop and explore green and environmental friendly medical and materials, and succeeded in renewing the certificate named "High and New Technology Enterprise (高新技術企業)". Our effort in investing in the research and development of green materials and smart home will provide technological impetus for our future development.

CHAIRMAN'S STATEMENT (Continued)

3. THE GROUP'S DEVELOPMENT PROSPECTS IN 2021

Looking forward to 2021, we shall continue building our foundation and strive for well performance by focusing on "performance" + "project management", the two main themes of our Group.

- (1) To advance in the Group's business development and project management in all fronts, we shall continue with the Greater Bay Area market, expand new markets, and exploit and induce customer demands.
- (2) To further develop the business segments with brand advantages such as the medical, mechanical and electrical, and curtain wall segments.
- (3) To optimize project management process and improve service levels, ensure project quality, and strengthen cost management.
- (4) To further exploit in great depth the developments in new areas of green medical care, green material research and development, smart home; and to make full use of the Group's expertise in refined technology and brand competitiveness.
- (5) To continue in implementing our strategic development in "industry + finance + technology + brand" in all areas, to raise barriers and differential advantages in our field.
- (6) To seize the challenges and opportunities arising from "dual zone drive (雙區驅動)", we stand at the new beginning of the epoch and achieve another leap-forward development.

Led by President Xi Jinping's "new era, new thinking and new journey", Adway is committed to moving forward to grasp the major opportunities ever-since presented by "dual-zone drive" in the Guangdong-Hong Kong-Macao Greater Bay Area and Demonstration Pilot Zone. With the development of major infrastructures in the "dual zone", we, a local enterprise that has grown and prospered in this Economic Special Zone, will seize this opportunity to develop and grow, move forward with courage, to shoulder the heavy burden and in going ahead both of our time sand this industry.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our dedicated employees and management team for their commitment and professionalism. I would also like to express our heartfelt thanks to our Shareholders and partners for their continuing support, trust and care for the Group. We will not forget our original goal and continue to commit to offering international first-class green decoration services.

Ye Yujing
Chairman

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬), aged 55, one of the founders of our Group, has been the Chairman and an executive Director of our Company since its establishment on 18 December 1996. Mr. Ye has been appointed as the chief executive officer since 10 April 2012 and is primarily responsible for our Group's development, strategic planning, positioning and over all operational management. Mr. Ye is the husband of Ms. Ye Xiujin, the father of Mr. Ye Guofeng and Mr. Ye Jiajun. Mr. Ye completed an education programme in civil engineering offered by China University of Geosciences (中國地質大學) in July 2007 and subsequently obtained his executive master of business administration (EMBA) from Xiamen University (廈門大學) in June 2016. Mr. Ye has over 30 years of experience in the civil engineering and construction industries. Prior to the establishment of our Company, Mr. Ye had worked as a sales executive in the second engineering department of Shenzhen Wenyue Decoration Design Engineering Company Limited* (深圳市文業裝飾設計工程有限公司) (currently known as Shenzhen Wenyue Decoration Design Engineering Joint-Stock Company Limited* (深圳市文業裝飾設計工程股份有限公司)) from January 1987 to January 1993, and as a manager in the Xincheng decoration department of Shenzhen Bao'an District Decoration Construction Consolidated Company Limited* (深圳市寶安區裝飾工程聯合公司新城裝飾部) from February 1993 to October 1996. Mr. Ye was a member of the sixth and seventh session of the Luhe County Guangdong Province Committee of the Chinese People's Political Consultative Conference (CPPCC) (廣東省陸河縣政協). Mr. Ye currently is a member of the 5th standing committee and the vice president of the Social Committee of the Futian District of Shenzhen Committee of CPPCC (深圳市福田區政協委員會) and is also a member of the 8th Standing Committee of the Luhe County Guangdong Province Committee of CPPCC, a member of the Central Economic Committee of China Democratic League (中國民主同盟), the vice president of the Public Administration Committee and the vice president of Futian Branch of Shenzhen Committee of China Democratic League, and the honourable president of the Hong Kong Shanwei Luhe Overseas Association (香港汕尾市陸河海外聯誼總會), a standing director of the China Building Decoration Association (中國建築裝飾協會), the vice president of Federation of Shenzhen Industries, the vice president of the Shenzhen Decoration Association, the executive vice president of Shenzhen City Fuyi Public Welfare Foundation (深圳市福醫基金會). Mr. Ye was awarded by CBD Association as "National Outstanding Entrepreneur of Building Decoration Industry"* (全國建築裝飾行業優秀企業家) and "National Outstanding Project Manager of Building Decoration Industry"* (全國建築裝飾行業優秀項目經理) in December 2009 and June 2014 respectively. He was qualified as a senior engineer (高級工程師) in May 2009 and acquired the Certificate of Registration of Construct or of the PRC (中華人民共和國一級建造師註冊證書) in February 2009.

Ms. YE Xiujin (葉秀近), aged 54, was appointed as an executive Director on 1 July 2008. She joined our Company since its establishment and has been primarily responsible for advising on the strategic development and corporate governance of our Company, formulating our Company's corporate and business strategies, and providing assistance to Mr. Ye Yujing. She has also worked in the accounting department of our Company. Ms. Ye is the wife of Mr. Ye Yujing, the mother of Mr. Ye Guofeng and Mr. Ye Jiajun. Ms. Ye acquired the qualification of accountant issued by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 2000.

Mr. YE Guofeng (葉國鋒), aged 33, was appointed as an executive Director on 30 July 2013. Mr. Ye joined our Company on 15 September 2011 and worked as an assistant to Mr. Ye Yujing starting from April 2012. He was later promoted to the position of marketing director and manager of the procurement department in May 2014. Mr. Ye is currently responsible for advising on strategic development and corporate governance of our Group. Mr. Ye is the son of Mr. Ye Yujing and Ms. Ye Xiujin, and the elder brother of Mr. Ye Jiajun. Mr. Ye graduated with an associate degree from Shenzhen Polytechnic (深圳職業技術學院) majored in construction management in June 2011. He later completed the top-up courses in civil engineering (construction) offered by China University of Geosciences (中國地質大學) through online education in July 2014 and obtained a bachelor's degree in engineering in December 2014. Mr. Ye was qualified as a safety officer (安全員) and a decoration construction officer (裝飾施工員) issued by Guangdong Construction Education Association (廣東省建設教育協會) in November 2011. Mr. Ye was also awarded as "Outstanding Entrepreneur of China Building Decoration in the past thirty years*" (中國建築裝飾三十年優秀企業家)" by the CBD Association and China Construction Newspaper (中華建築報社) in December 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Mr. YE Niangting (葉娘汀), aged 40, was appointed as an executive Director on 22 May 2014 and is primarily responsible for conducting project evaluation for our construction projects and advising on strategic development and corporate governance of our Group. Mr. Ye joined our Company on 14 October 2008 as deputy manager of the operation department, and was promoted to manager of that department in April 2012. From February 2013 to April 2014, Mr. Ye was the manager of division 1 of the operating department of the Company and the general manager of the operation management centre, directly reporting to Mr. Ye Yujing. He also assists Mr. Ye Yujing in our business expansion and operation management and undertakes responsibility in managing our operation management centre. Since joining our Group in October 2008, Mr. Ye has been involved in a number of construction projects in different capacities and has accumulated substantial experience in areas including project development and project evaluation. In respect of project evaluation, Mr. Ye is responsible for the final approval of our project evaluation reports for all of our potential construction projects, after considering opinions from the supervising business manager and our technical department. Mr. Ye graduated from Dalian University of Technology (大連理工大學) majored in civil engineering in July 2009 through online education. Prior to joining our Company, Mr. Ye was a manager of Beijing branch of Shenzhen Bauing Construction Group Co., Ltd.* (深圳市寶鷹建設集團股份有限公司) from October 2005 to October 2008 where he was responsible for business development in Beijing and surrounding regions. Mr. Ye was appointed as a visiting professor of Shanghai Art&Design Academy (上海工藝美術職業學院) in July 2015 for a term of three years. On 31 December 2020, Shenzhen Gongxiangli is owned as to 8.3951% by Mr. Ye who is its limited partner.

Mr. Ye Jiajun (葉家俊), aged 27, was appointed as executive director on 28 August 2020. Mr. Ye joined the Company in August 2019 as the assistant to the general manager of the engineering management center to provide assistance in engineering project management. He began serving as the assistant to the Chairman of the Board since May 2020. Mr. Ye worked as the project manager in the investment department of Shenzhen Longbai Capital Investment Management Ltd from October 2017 to July 2019. Mr. Ye is the son of Mr. Ye Yujing (executive Director and Chairman of the Company) and Ms. Ye Xiujin (executive Director of the Company), and the younger brother of Mr. Ye Guofeng (executive Director of the Company). Mr. Ye graduated from Guangdong University of Foreign Studies* (廣東外語外貿大學) with a bachelor's degree in finance in July 2017.

Non-executive Director

Ms. LI Yuanfei (黎媛菲), aged 39, was appointed as a non-executive Director on 19 March 2019. Ms. Li graduated with a bachelor's degree in Economics from the University of Shanghai for Science and Technology (上海理工大學) in 2002 and a master's degree in Economics from Fudan University (復旦大學) in 2005. Ms. Li's working experience focuses primarily on securities, fund and finance businesses. From September 2005 to February 2009, she was an associate in the high technology media telecommunications (TMT) group at Merrill Lynch investment banking, where she was responsible for capital operation such as enterprise listing, equity and debt financing, reorganization and merger. From April 2009 to March 2011, she was a vice president in Crimson Capital, a private equity fund, where she was the principal of private equity investment business. From April 2011 to August 2016, she was the executive general manager and the director of large consumer industry group in investment banking department of China International Capital Corporation Limited, an investment bank. Since September 2016 and currently, she is a managing partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd* (深圳前海興旺投資管理有限公司), which is principally engaged in the business of providing professional fund management services for private equity funds and venture capital investment funds.

Independent Non-executive Directors

Ms. ZHAI Xin (翟昕), aged 46, was appointed as an independent non-executive Director on 16 June 2019. Ms. Zhai graduated from Department of Accounting of Shanxi Finance Institute* (陝西財經學院) in 1993 and a master's degree in business administration from The Hong Kong Polytechnic University in 2005. Ms. Zhai's working experience focuses primarily on financial and accounting businesses. From September 1994 to March 2000, she was an auditor and audit manager of Shenzhen Bao Yong CPA* (深圳市寶永會計師事務所), where she was responsible for audit work for corporations, special audit and verification etc. From March 2000 to January 2005, she was a finance manager and chief financial officer of Shenzhen Nan Sheng De Management Company Limited* (深圳市南晟德管理顧問有限公司), where she was responsible for financial management. From January 2005 to July 2012, she successively served as chief financial officer and vice-president of finance of Shenzhen Xin Hua Shang Zhi Cultural Development Company Limited* (深圳市新華商智文化發展有限公司), where she was responsible for financial management. Since October 2014 and currently, she founded Shenzhen Rui Fu Xing Biological Technology Company Limited* (深圳瑞福興生物科技有限公司) of which she is the legal representative and chief manager, and is responsible for operation of the company. From February 2016 until present, she is the chief manager of Shenzhen Yi Shang Shi Dai Cultural Development Company Limited* (深圳市易商世代文化發展有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Mr. CHEUNG Wai Yeung Michael (張威揚), aged 46, was appointed as an independent non-executive Director on 20 August 2018. Mr. Cheung obtained a Bachelor of Business Administration in Accounting from the University of Wisconsin-Madison, school of business, Wisconsin, USA in 1997. He has been the chief operating officer of TBWA China from July 2018 to 30 June 2019 and chief financial officer from May 2015 to June 2018. He is also the chief operating officer of TBWA HAKUHODO China since January 2019 and chief financial officer from September 2015 to December 2018. He worked with Three Sixty Group as the chief financial officer from August 2011 to May 2015. He was an executive director overseeing business operations and finance in media distribution and a regional finance director of The Walt Disney Company (Asia Pacific) Limited during the periods of April 2010 to August 2011 and March 2007 to March 2010 respectively. He worked with STAR Group Limited as a vice president in charge of business operations from September 2004 to March 2007 and as a senior finance manager from July 2002 to August 2004. He was an auditor at Arthur Andersen & Co from July 1997 to June 2002. In addition, Mr. Cheung became a member of the American Institute of Certified Public Accountants on 31 December 1997, and a Chartered Financial Analyst (CFA) charter holder on 13 September 2002. He became a member of the Hong Kong Institute of Certified Public Accountants on 20 February 2012, and a Chartered Global Management Accountant certified by the American Institute of Certified Public Accountants on 1 May 2012.

Mr. LIN Zhiyang (林志揚), aged 65, was appointed as an independent non-executive Director on 21 August 2015 and is mainly responsible for supervising and providing independent view point to our Board. Mr. Lin obtained his bachelors degree, master degree and doctorate degree all in economics from Xiamen University (廈門大學) in February 1980, February 1985 and September 2002, respectively. Mr. Lin had been working in Xiamen University since February 1985. He was appointed as the vice dean of the corporate management department under the business school from October 1987 to October 1996, and was then promoted to the vice president of the management school and the dean of corporate management department from October 1996 to March 1999. From March 1999 to October 2007, he served as the vice president and was appointed as the secretary of the party committee of the management school from October 2007 to January 2013. Mr. Lin was a professor and a PhD tutor in the business school but now retired. Mr. Lin has served as an independent non-executive director in several companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, including Fujian Long xi Bearing (Group) Co., Ltd* (福建龍溪軸承(集團)股份有限公司) (stock code: 600592.SH) from April 2008 to March 2014, Fujian Express way Development Co., Ltd* (福建發展高速公路股份有限公司) (stock code: 600033.SH) from April 2009 to June 2015, San'an Optoelectronics Co., Ltd* (三安光電股份有限公司) (stock code: 6000703.SH) from November 2007 to November 2013 and Fujian Guanfu Modern House hold Joint-stock Company Limited* (福建冠福現代家用股份有限公司) (stock code: 002102.SZ) from October 2008 to June 2015. He served as an independent director in Taiya Shoes Co., Ltd.* (泰亞鞋業股份有限公司) (now known as Kingnet Network Co., Ltd.* (愷英網絡股份有限公司)) (stock code: 002517.SZ), a company listed on the Shenzhen Stock Exchange and Clenergy (Xiamen) Technology Co., Ltd (清源科技(廈門)股份有限公司) (stock code: 603628), a company listed on the Shanghai Stock Exchange. Mr. Lin is currently acting as an independent director in Fujian Zhangzhou Development Co., Ltd.* (福建漳州發展股份有限公司) (stock code: 000753.SZ), a company listed on the Shenzhen Stock Exchange, in Joeone Co., Ltd.* (九牧王股份有限公司) (stock code: 601566.SH), a company listed on the Shanghai Stock Exchange, Lu yan Pharmaceutical Holdings Co., Ltd* (鸞燕醫藥股份有限公司) (stock code: 002788.SZ), a company listed on the Shenzhen Stock Exchange.

BOARD OF SUPERVISORS

Mr. ZU Li (祖力), aged 61, was appointed as a Supervisor on 31 May 2017. Mr. Zu obtained a bachelor's degree in dyeing works (染化工程) from Zhejiang Silk Textile Institute (浙江絲綢工學院) in July 1985 and worked for Liaoyuan Silk Dyeing and Printing Plant (遼源市絲織印染廠) from August 1985 to December 1987. From January 1988 to December 1990, he worked for Yuanle Plush Company Limited (中外合資源樂毛絨有限公司) as a vice general manager. He worked for Jilin Liaoyuan Textile Bureau (中國吉林省遼源市紡織局) as a chief of sector from January 1991 to April 1992. From May 1992 to May 1997, he was a general manager of Jilin International Economic and Technology Cooperation Company Limited Shenzhen Branch (中國吉林國際經濟技術合作公司深圳分公司). He was a general manager of Shenzhen Hengduo Trading Company Limited (深圳市恆多貿易有限公司) from May 1997 to December 2001 and a general manager of Ruixin Xingye Investment Consultant (Shenzhen) Company Limited (瑞信興業投資諮詢(深圳)有限公司) from January 2002 to the present.

Mr. YE Weizhou (葉偉周), aged 30, was appointed to be a Supervisor as representative of the Company's staff on 8 June 2018 and re-elected on 18 March 2020. Mr. Ye gained his bachelor's degree in project management from Guangdong Industry University in July 2015. Currently he works the vice manager of the finance department of the Company. He was granted the certificates of both Quality Control Officer and Safety Officer in May 2015. And he was granted the C level certificates in safety evaluation in September 2015. In July 2017, he was granted the Decoration Quality Officer certificate. In August 2020, he was granted the certificate for safety production as the chief of the building enterprise in Guangdong.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Mr. TIAN Wen (田文), aged 41, was appointed as a non-executive Director of our Company from 12 June 2012 to 19 March 2019 and was mainly responsible for participating in the formulation of our Company's corporate and business strategies. Mr. Tian was appointed as a Supervisor of our Company on 19 March 2019. Mr. Tian graduated from the Faculty of Accounting of the School of Business in Renmin University of China (中國人民大學) with a bachelor's degree in economics in July 2002 and obtained his degree of Master of Business Administration in Finance in November 2012 from the Chinese University of Hong Kong (香港中文大學). Prior to joining our Company, Mr. Tian worked in the assurance department in PricewaterhouseCoopers Zhongtian LLP, Shenzhen office from August 2002 to April 2010, and successively served as junior auditor, senior auditor and deputy manager of the assurance department. Mr. Tian worked in Shenzhen Co-Win Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司) from April 2010 to January 2020. From January 2020 to April 2020, Mr. Tian was an executive director of HIGHLIGHT CAPITAL. From May 2011 to the present, he is a director in Shanghai Neoent Industrial Co., Ltd.* (上海紐恩特實業有限公司). From May 2020 to the present, he is company secretary of Shenzhen Jiansheng Technology Ltd* (深圳市建升科技股份有限公司).

SENIOR MANAGEMENT

Mr. YE Guofeng (葉國鋒), is a vice president appointed on 21 August 2015. For biographical details of Mr. Ye, please refer to the paragraph headed "Executive Directors" above in this section.

Mr. YE Niangting (葉娘汀), is a vice president appointed on 22 May 2014. For biographical details of Mr. Ye, please refer to the paragraph headed "Executive Directors" above in this section.

Mr. ZHANG Zhiqin (張志欽), aged 38, is a vice president and Chief financial Officer appointed on 21 January 2021. Mr. Zhang possesses over 11 years of extensive experience in financial management, internal audit and accounting in A-share Listed companies and so on. From July 2007 to May 2018, he acted as chief of financial department and "the person in charge of financial institutions of Listed Company" of Shenzhen Noposion Pesticide Could., CO., LTD. From May 2018 to July 2020, he acted as Vice General Manager and Chief Financial Officer of financial department of Shenzhen Qianhai Sport Covers Internet Technology CO., Ltd., since August 2020 to the present he acted as Consultant of the Company. Mr. Zhang graduated from Huizhou College holds Semi senior management accountant certificate and a bachelor degree in accounting and Financial Management.

Ms. KOU Yue (寇悅), aged 47, was appointed as a vice president on 21 August 2015, as a joint company secretary and the chief financial officer on 16 September 2015, and resigned as vice president and the chief financial officer on 21 January 2021.

Ms. Kou graduated from Tianjin Finance and Economic University with a bachelor's degree in international trade in July 1996. Thereafter, she gained a master's degree in banking from City University of Hong Kong and a master's degree in accountancy from Chinese University of Hong Kong in November 2005 and December 2008, respectively. Ms. Kou is also a member of the Chinese Certified Public Accountant (CICPA), the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Kou has 25 years of working experience in finance and accountancy. She had worked for Tianda Tiancai Company Limited (now known as Futong Information, the shares of which are listed on the Shenzhen Stock Exchange with stock code 000836.SZ) as an accountant from September 1996 to September 1999. From September 1999 to October 2002, she had worked in the Assurance & Business Advisory Department of Ernst & Young, Beijing where she was responsible for pre-listing and postlisting annual auditing for companies listed in Hong Kong and the PRC. Ms. Kou then served as the finance manager in China Data Broadcasting Holding Limited (now known as Changhong Jiahua Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange with stock code 3991.HK) from October 2003 to February 2006 and vice president in KASH Strategic Holding Limited from February 2006 to July 2006. From August 2006 to September 2007, Ms. Kou had served as an audit supervisor in Zhong Yi (Hong Kong) C.P.A. Company Limited). Thereafter, she worked as a manager for Thomas Lee & Partners Ltd. from October 2007 to May 2011, as a manager for GDTCPA Limited from June 2011 to January 2013, and as an audit manager in W. L. Ho & Co., CPA from October 2013 to June 2015. She joined our Company in August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2020 is a year full of challenges and changes. Pressured by the on-going Sino-U.S. trade war, the PRC economic growth has slowed down particularly in 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 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.

During 2020, the Group was awarded three National Construction Engineering and Decoration Awards that are composed of the followings:

"Segment 1, 2nd phase of Atlantis Hotel Project, Haitang Bay, Sanya" won both Curtain Wall Prize and Public Building Decoration Design Prize and "No. 7 Curtain Wall engineering of Guangxia Julong Square Project" won Curtain Wall Prize. 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 31 December 2020, there are 21 branches and offices in 16 provinces, autonomous regions and municipalities in the PRC.

During the year 2020, the Group has signed 154 new contracts with a value of more than RMB1 million each, 26 contracts with a value of more than RMB10 million each and 3 contracts with a value of more than 50 million each.

During the year 2020, the Group carried out 450 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.161 billion, including 93 projects with a contract value of more than RMB10 million each and 10 projects with a contract value of more than RMB50 million each.

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no significant investments, or acquisitions and disposals of subsidiaries during the year 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to become a global leading supplier of integrated service for green decoration, the Group is committed to its core business, especially in the subdivision and regional markets, and integrate them to enhance our performance in 2021. 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 Greater Bay Area, establishing Greater 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.

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

Operating revenue and gross profit margin

The operating revenue of the Group comprised of primary business revenue and other business revenue. The operating revenue decreased by 41.0% from approximately RMB1,543.0 million for the year ended 31 December 2019 to approximately RMB910.6 million for the year ended 31 December 2020. The Group's primary business revenue decreased by 41.0% from approximately RMB1,542.8 million for the year ended 31 December 2019 to approximately RMB910.1 million for the year ended 31 December 2020. The decrease in primary business revenue was mainly due to the continuous outbreak of COVID-19 in 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.

The Group's gross profit decreased by 38.4% from approximately RMB246.4 million for the year ended 31 December 2019 to approximately RMB151.9 million for the year ended 31 December 2020. The gross profit margin increased from 16.0% for the year ended 31 December 2019 to 16.7% for the year ended 31 December 2020. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Profit (loss) for the year

Net loss for the year ended 31 December 2020 was RMB331.7 million (the year ended 31 December 2019: net profit of RMB46.3 million*) or -36.4% (the year end 31 December 2019: 3%) of operating revenue, representing a decrease of 816.5% in net profit. Such turning into loss was mainly attributable to (1) the continuous outbreak of COVID-19 in 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, the delay in customers' project settlement and clearing payment flow resulted in an increase in the aging of the Group's receivables. (3) With respect to the proposed A share offering, the Company, in preparing its annual report for 2020, took reference to the accrual method on impairment provision on the portfolio of aging applied by A-listed companies in the same industry, then significantly increased the percentage for making the provision for impairment. This caused the substantial increase in the impairment loss recognized in financial statements for the year of 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020 and 2019, the Group had monetary capital (cash and cash equivalents and restricted cash) of approximately RMB159.5 million and approximately RMB266.9 million, respectively. The decrease in the monetary capital is primarily due to the decrease in bank borrowings for the year ended 31 December 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.

1. Account receivables and contract assets

The account receivables decreased significantly from approximately RMB1,234.5 million as at 31 December 2019 to approximately RMB607.8 million as at 31 December 2020. The account receivables are the amounts due from customers in the ordinary course of business. The decrease is primarily due to the bad debt provision accrued in year of 2020. Specifically, with respect to the proposed A share offering, in preparing its annual report for 2020, took reference to the accrual method of impairment provision on the portfolio of aging applied by A-listed companies in the same industry, then significantly increased the percentage for making the provision for impairment. This caused the substantial increase in the impairment loss recognized in the financial statements for the year of 2020. The aforementioned account receivables refer to the net account receivable after netting off the bad debt provision. Please refer to Note V.(3) to the financial statements in this annual report for details.

The contract assets decreased from approximately RMB1,001.2 million as at 31 December 2019 to approximately RMB962.5 million as at 31 December 2020. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such decrease was mainly due to the fact that we endeavored to accelerate customers' endorsement of project progress report recently. The decrease is primarily due to the impairment provision accrued in 2020. Specifically, with respect to the proposed A share offering, in preparing its annual report for 2020, took reference to the accrual method of impairment provision on the portfolio of aging applied by A-listed companies in the same industry, then significantly increased the percentage for making the provision for impairment. This caused the substantial increase in the impairment loss recognized in the financial statements for the year of 2020. The aforementioned contract assets refer to the net contract assets after netting off the impairment provision. Please refer to Note V(7) to the financial statements in this annual report for details.

* presented in accordance with the adjustment for difference in the conversion of accounting standards on the first application date. Please refer to page 20 of this annual report for details.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. Account payables and note payables

Account payables decreased from approximately RMB688.4 million as at 31 December 2019 to approximately RMB512.3 million as at 31 December 2020. Such decrease was mainly due to the fact that while the revenue was decreasing, the material procurement and labor cost reduced accordingly. Note payables decreased from approximately RM103.5 million as at 31 December 2019 to approximately RMB 55.0 million as at 31 December 2020. As at 31 December 2020, notes payables of RMB55.0 million were secured with the Group's account receivables of totalling RMB50.3 million (2019: 56.6 million) and guaranteed by certain related parties.

3. Short term borrowings

As at 31 December 2020, the Group had short term borrowings amounting to approximately RMB364.3 million (2019: approximately RMB401.9 million) which are the interest-bearing bank borrowings and repayable within 1 year. As of 31 December 2020, the Group did not have any inter-company borrowings. As at 31 December 2020, short term borrowings were pledged with the Group's account receivables of RMB141.3 million (2019: RMB420.9), by its time deposit of RMB15.0 million, and guaranteed by certain related parties.

4. Gearing ratio

The gearing ratio was 21% as at 31 December 2020 while the gearing ratio as at 31 December 2019 was 11%. The was mainly attributable to an decrease in cash and cash equivalents for the year ended 31 December 2020.

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 balance sheet plus net debt.

5. Capital expenditure

Capital expenditures decreased from approximately RMB0.4 million for the year ended 31 December 2019 to approximately RMB0.3 million for the year ended 31 December 2020 primarily because the Group has endeavoured to control our capital expenditure.

6. Capital commitments

As at 31 December 2020, the Group had no capital commitments (2019: nil).

7. Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: 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

9. Acquisitions or disposal

The Group did not have any significant acquisitions or disposal of subsidiaries or affiliated companies or assets during 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

10. 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 year ended 31 December 2020 (year ended 31 December 2019: same).

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

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to be a global leading position of comprehensive environmental-friendly decoration service provider, the Group will focus on its core business in 2021, 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 to segmentation of markets and focusing on regional development

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

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

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

3. Strengthen the talent pool

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

4. Deepen the comprehensive governance of the Group

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

RETROSPECT AND PROSPECT

2020 was a gruelling year for the Group, the building decoration industry and almost everyone in the world. The global efforts to contain the Covid-19 pandemic has affected all walks of life.

The COVID-19 related travel restrictions in place for certain period and in some regions have led to the suspension of business activities in the areas and also affected the supply of labour and materials to the construction sector. These in turn affected the financial performance of the Group and its customers.

And meanwhile the Group, aimed at A share offering, changed its “all the time” accrual method on impairment provision to be coincide with the A-listed companies in the same industry. The change has caused the substantial provision accrued for bad debt on the value of account receivables and contract assets. Combining with “slowing down” of the business of our customers, it certainly brought the negative impact on the financial result of the Group. Notwithstanding of the fact that the Group has recorded a loss for 2020, the financial position of the Group remains sound and healthy with cash and cash equivalents of approximately RMB110.6 million as at 31 December 2020. Under such a volatile pandemic-affected business environment, the Group prioritized on maintaining a strong cash flow, conserving resources and prudently exploring the news commercial opportunity to prepare for an eventual market recovery.

Therefore while the COVID-19 pandemic crisis dealt a devastating blow to our businesses in 2020, based on the proven track record in implementing the tip-quality boutique projects, the Group believes that these impacts are temporary. Following the availability of vaccine, all the business activities could return to normal. The building decoration industry, in particular, is expected to have a “lagging growth”. The global crisis ushered in new ways of working and living, to which the Group had been preparing itself to adapt by fostering soft power and promoting the development of the most advanced technology in the industry.

Against all odds, the Group still believe that we hold the willpower、the capability and the professionalism to trudge through the fog and weather the storm.

DIRECTORS' REPORT

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is building decoration service that mainly covers four areas, namely (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works. There were no significant changes in the nature of the Group's principal activities during the year.

The Group's performance by segments is set out in 10. Segment information on page 14 in "Management Discussion and Analysis".

RESULTS

The results of the Group for the year ended 31 December 2020 and the financial information of the Group as at 31 December 2020 are set out in the audited financial statements of this report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2020 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 10 to 15 of this annual report.

KEY RISKS AND UNCERTAINTIES

Business and Market

Demand for services and products of the Group is cyclical in nature and directly correlates with the level of real estate development and construction activities in China and in regions and provinces in which the Group operate. The real estate industry and the construction industry are sensitive to economic fluctuation and market uncertainty, and are closely controlled and monitored by the PRC Government through policy making. The management cannot assure the Group that such fluctuations will not negatively affect the overall economic condition in China or the real estate or construction industry in China. Revenue from the real estate industry and the construction industry may be adversely affected if the growth of the PRC economy slows down or enters into recession, or if fixed capital investment is reduced, including any reduction in infrastructure investment by the PRC Government. The ongoing projects, in which the Group have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and the Group maybe unable to collect payments and recover our costs.

In addition, the Group is susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the year, the PRC Government implemented various regulations and policies aimed to cool the real estate market and the inflation of property prices. Various property price control policies, including limitations on the purchase of property outside the city of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, have been implemented in recent years. These policies may affect the level of activity in the PRC real estate industry, which in turn affects the number of construction projects available to the Group prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial

The major financial risks faced by the Group are interest risk, credit risk and liquidity risk. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. The risk management objectives and policies of the financial risk are set out in the Note VII to the financial statements.

Management of the Group will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

DIRECTORS' REPORT (Continued)

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders in light of their holding of the Company's securities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2020, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

EMOLUMENT OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director, supervisor and chief executive for the year ended 31 December 2020 is set out below:

Name	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors				
Mr. Ye Yujing (i)	—	698	26	724
Mr. Liu Yilun (ii)	—	201	12	213
Mr. Ye Niangting	—	383	26	409
Mr. Ye Guofeng	—	418	26	444
Ms. Ye Xiujin	—	146	—	146
Mr. Ye Jiajun (ii)	—	68	8	76
Non-executive director				
Ms. Li Yuanfei	80	—	—	80
Independent non-executive directors				
Mr. Lin Zhiyang	80	—	—	80
Ms. Zhai Xin	80	—	—	80
Mr. Cheung Wai Yeung, Michael	80	—	—	80
Supervisors				
Mr. Tian Wen (iii)	—	—	—	—
Mr. Zu Li (iii)	—	—	—	—
Mr. Ye Weizhou	—	100	7	107
	320	2,014	105	2,439

DIRECTORS' REPORT (Continued)

The remuneration of each director, supervisor and chief executive for the year ended 31 December 2019 is set out below:

Name	Fees RMB'000	Salaries and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Executive directors				
Mr. Ye Yujing (i)	—	696	35	731
Mr. Liu Yilun (ii)	—	420	35	455
Mr. Ye Niangting	—	397	35	432
Mr. Ye Guofeng	—	433	35	468
Ms. Ye Xiujin	—	146	—	146
Non-executive directors				
Mr. Tian Wen	17	—	—	17
Ms. Li Yuanfei	63	—	—	63
Independent non- executive directors				
Mr. Lin Zhiyang	80	—	—	80
Ms. Zhai Xin	44	—	—	44
Mr. Wang Zhaowen	36	—	—	36
Mr. Cheung Wai Yeung, Michael	80	—	—	80
Supervisors				
Mr. Tian Wen (iii)	—	—	—	—
Mr. Ye Xian	—	23	3	26
Mr. Zu Li (iii)	—	—	—	—
Mr. Ye Weizhou	—	90	10	100
	320	2,205	153	2,678

- (i) Mr. Ye Yujing is also the chief executive of the Company.
- (ii) On 23 July 2020, Mr. Liu Yilun left his office as executive director, Mr. Ye Jiajun was appointed as executive director on 28 August 2020 accordingly.
- (iii) During the year ended at 31 December 2020, Mr. Zu Li and Mr. Tian Wen, the supervisors of the Company waived their fees as for supervisor (2019: same).
- (iv) The aggregate emoluments paid to or receivable by directors in respect of their services as directors of the company for the year ended 31 December 2020 were RMB320,000 (2019: RMB320,000). The aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company for the year ended 31 December 2020 were RMB2,119,000 (2019: RMB2,358,000).

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: same). No consideration was provided to or receivable by third parties for making available directors' services (2019: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: same).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2019: same).

DIRECTORS' REPORT (Continued)

(b) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group included four directors (2019 : four), whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individual during the years ended 31 December 2020 and 2019, are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries and other benefits	242	243
Contribution to pension scheme	24	31
	266	274

The emoluments of these remaining individuals of the Group fell within the following bands:

	Year ended 31 December	
	2020	2019
Emolument bands Nil to HKD1,000,000	1	1

EVENTS AFTER THE REPORTING PERIOD

Environmental Protection

The environmental protection policy adopted by the Group is set out in the section head "Environmental, Social and Governance Report" on pages 40 to 60 of this annual report.

Change of auditor and change of accounting standards

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

DIRECTORS' REPORT (Continued)

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

- (1) As the changes in accounting standards will improve the efficiency and reduce the cost of disclosure, and are in the interest of the Group and the shareholders as a whole, the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports.
- (2) On the First Application Date of CASBE (1 January 2020), adjustment for differences between net profit and net assets disclosed in financial statements for the Conversion of Hong Kong Financial Reporting Standards to the CASBE for net profits and net assets in the statements is as follows:

	Year of 2019 Net profit	31 December 2019 Net assets	January-June of 2020 Net profit	30 June 2020 Net assets
In according with Hong Kong Financial Reporting Standards Items and amount adjusted in accordance with the CASBE:				
Operating cost	70,299,000.00	1,278,288,763.97	(22,786,000.00)	1,255,503,000.00
	(23,994,619.12)	—	(1,319,000.00)	—
In accordance with the CASBE	46,304,382.91	1,278,288,763.97	(24,105,000.00)	1,255,503,000.00

Note:

Since the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports, the enterprise that is directly engaged in the construction of the engineering projects is required to extract safety fees in accordance with CaiQi [2012] No. 16 "Administrative Measures on the Extraction and Usage of Production Safety Fees of Enterprises" and "Interpretation No. 1 of the Enterprise Accounting Standards" and the extracted safety fees shall be included in related products' costs or profit or loss for the current period, and are reflected separately in the "4301 special reserve" under shareholders' equity. Per the consolidated statement of change in equity disclosed in 2019 annual report issued on 24 April 2020, the net profit appropriated to safety reserve amounted to RMB24.0 million during 2019. Hence the aforementioned adjustment caused by conversion of the financial reporting standards would not affect the net asset of the Company.

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

(RMB'000)	2019 Operating cost from primary business	2019 Research and development expenses	2019 Administrative expense
In according with Hong Kong Financial Reporting Standards			45,045
Items and amount adjusted in accordance with the CASBE :	1,334,955		
Transfer safety fee into operating Cost	23,995		
Transfer Taxes and surcharges out of operating cost	(3,900)		
Transfer Research and development expenses out of operating cost	(58,482)	58,482	
Transfer Non-operating expenses out of Administrative expenses			(503)
Transfer financial handling fee out of Administrative expenses			(258)
Transfer Research and development expenses out of Administrative expenses		5,019	(5,019)
In accordance with the CASBE	1,296,568	63,501	39,265

DIRECTORS' REPORT (Continued)

Matters in relation to the change of auditors

In connection with its own resignation, PricewaterhouseCoopers highlighted certain matters relating to confirmations which they consider should be brought to the attention of the shareholders and creditors of the Company (the "Matters"). For further details of the Matters, please refer to the announcement of the Company dated 13 January 2021. For the purpose of addressing the Matters, BDO, during its rational audit work for 2020 annual report, carried out the following audit procedures (including but not limited to the Matters queried by PricewaterhouseCoopers) that are also the basis upon which BDO and the audit committee are satisfied that the Matters have been fully addressed.

1. Obtain an understanding of the Company's business flow on the project undertaking, managing, settling and collection, the relevant internal control and assessments, and based on which, implementing the risk assessment procedures to ensure the design and the smooth operation of the effective internal control system.
2. Re-calculate the revenue of all the projects during that year of 2020. Do the sample test on the projects with substantial amount or extraordinary nature. Validate all the projects-related materials, including but not limited to the supporting tender documents, tender confirmation letters, project contracts, cheques, bank-in slips, certificate of completion and acceptance, settlement of completion documents, etc. Check on the original paper related to raw material fee or labor fee incurred in carrying out the projects. Communicate with the Management, armed with the calculation and checking result, to verify the facts or revise the difference.
3. Carry out the certain confirmation procedures on the relevant parties in respect of the main contract clauses, the contract invoice amounts, the contract collection amounts, the progress of the project, the relevant transactions amounts; verify the contact persons information and addresses of the respondents; monitor the whole process of the sending and receiving the confirmations.
4. Based on the status of response to confirmations and the evaluation on the collectability of the current account balance with relevant parties, make the sufficient allowance for doubtful accounts on individual basis if the risk of uncollectability exists.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, have a proven record of successfully operating and expanding the business. Therefore, the Group ensures that the remuneration package of Directors and management are reasonable and competitive in the market; and continues to improve and regularly review the policies on remuneration and benefits.

With the efforts of sales and marketing team, the Group have established solid relationships with many of our long-term customers. We continue to maintain such relationships by conducting periodic visits to understand the construction needs of our customers and learn about their new projects.

The Group is in good relationship with its suppliers. The procurement department maintains a list of qualified suppliers, from which project management department procures on an as-needed basis. The qualified suppliers are selected based on various criteria, including price, quality, record of timely delivery, location, supply capacity, credit terms and customer service. The procurement department is responsible to review and update the list of qualified suppliers annually.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2020 is as follows:

Class of Shares	Number of shares	Approximate percentage of the total issued share capital
Domestic Shares	178,167,645	73.9%
H Shares in issue	62,763,000	26.1%
Total	240,930,645	100.0%

DIRECTORS' REPORT (Continued)

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

DIVIDEND POLICY

The Company has established its dividend policy. When the Company records a profit and after taking into account other relevant factors, we would pay dividend to our Shareholders according to the Articles of Association and applicable laws. However, such dividend is non-guaranteed. Our decision on dividend distribution depends on the financial situation of our Company, future market prospects, funding needs the Company and any other relevant factors which the Company thinks fit.

The remaining net profits after dividend payout (if any) would be used for the development of the Company.

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, 8 June 2021 to Friday, 11 June 2021, 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 transfers of H Shares together with the relevant share certificates must be delivered to the Company's H Share Registrar Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queens's Road East, Hong Kong no later than 4:30 p.m. on Monday, 7 June 2021. All transfers of Domestic Shares together with the relevant documents must be delivered to the Company's head office at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the People's Republic of China no later than 4:30 p.m. on Monday, 7 June 2021.

PUBLIC FLOAT

As at the date of this report, based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2020, the Group acquired additional property and equipment of approximately RMB0.2 million.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the pre-emptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2020 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 78 and 79 of this annual report.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company, and of which details of reserves available for distribution to Shareholders are set out in consolidated financial statements. As at 31 December 2020, reserves available for distribution of the Company amounted to RMB277.5 million (2019 : RMB609.3 million).

DIRECTORS' REPORT (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2020 represented approximately 7.2% (2019: 8.2%) and 20.0% (2019: 22.6%), respectively, of the Group's total revenue.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2020 represented approximately 8.9% (2019: 7.6%) and 29.1% (2019: 33.4%), respectively, of the Group's total purchases.

To the best of the Directors' knowledge, none of the Directors or their respective close associates, and none of the existing Shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

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

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)
Ms. ZHAI Xin (翟昕女士)
Mr. LIN Zhiyang (林志揚先生)

BOARD OF SUPERVISORS

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

The biographical details of the Directors and Supervisors are disclosed the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 6 to 9 in this annual report.

DIRECTORS' REPORT (Continued)

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 31 December 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 ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾
YE Yujing (葉玉敬) ^(Note 3)	Beneficial Owner	67,694,000	37.99%	28.10%
	Interest of spouse	15,504,000	8.70%	6.44%
YE Xiujin (葉秀近) ^(Note 4)	Beneficial Owner	15,504,000	8.70%	6.44%
	Interest of spouse	67,694,000	37.99%	28.10%
YE Guofeng (葉國鋒) ^(Note 5)	Interest in a controlled corporation	6,075,000	3.41%	2.52%
LI Yuanfei (黎媛菲) ^(Note 6)	Interest in a controlled corporation	22,580,645	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.
- 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) (寧波梅山保稅港區瀛享投資中心(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.

DIRECTORS' REPORT (Continued)

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

As at 31 December 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 ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company ⁽²⁾
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)) (Note 3)	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瀛華股權投資中心(有限合夥)) (Note 4)	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) (Note 3) (Note 4)	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) (Note 3) (Note 4)	Domestic Shares	Interest in a controlled corporation	22,580,645	12.67%	9.37%
Xiong Mingwang (熊明旺) (Note 3) (Note 4)	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)) (Note 5)	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) (Note 5)	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) (Note 5)	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股份有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Zheng Wei He (鄭偉鶴) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Huang Li (黃荔) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%
Ding Bao Yu (丁寶玉) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	9.54%	7.06%

DIRECTORS' REPORT (Continued)

Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).
2. The calculation is based on the total number of 240,930,645 Shares in issue.
3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) ("Ningbo Yingxiang") is a limited partnership incorporated in the PRC on 10 May 2017. As of 31 December 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 Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("Shenzhen Qianhai Xingwang Investment Center") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("Ningbo Xingwang Yinghua"), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management as of 31 December 2019. As of 31 December 2020, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.

5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) ("South China Sea LP"), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as at 31 December 2020, (i) Shenzhen Co-Win Jinxu Asset Management Limited ("Shenzhen Co-Win Jinxu Asset"), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited ("Shenzhen Co-Win Asset"). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited ("Shenzhen Co-Win Venture Capital"), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)) ("Shenzhen Co-Win Victory LP"), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as at 31 December 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 Jinxu 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.

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2020, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

On 24 June 2020, Mr. Liu Yilun has tendered his resignation as executive Director, member of the strategy committee, vice president and joint company secretary. On the same date, Mr. Ye Jiajun has been proposed to be appointed as an executive Director and a member of the strategy committee of the Company. Mr. Liu's resignation became effective on 23 July 2020. On 28 August 2020, the shareholders have approved the appointment of Mr. Ye Jiajun as an executive Director and a member of the strategy committee of the Company.

DIRECTORS' REPORT (Continued)

Save as disclosed above, there are no other changes to the Directors' and Supervisor's information as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the year ended 31 December 2020, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that can be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a Director or a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTION

There are no connected transactions entered for the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

The Board confirmed that none of the related party transactions set out in Note VIII to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. For the year ended 31 December 2020, the Group had not entered into any other connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance has been entered into among the Company and the Controlling Shareholders or any of their associates during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and five highest paid individuals are set out in Director's Report on pages 17 to 19.

DIRECTORS' REPORT (Continued)

REMUNERATION POLICY

The Group's Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of the Company.

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 deed of non-competition (the "Deed of Non-Competition") with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, the principal business and other businesses.

NON-COMPETITION

The Group entered into the Deed of Non-Competition with the Controlling Shareholders on 16 September 2015 under which 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 principal business and other businesses, namely the design, survey and consultancy business and civil defense products manufacturing business, 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.

The Company's independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition by the Controlling Shareholders, and were satisfied that the terms of the Deed of Non-Competition had been duly complied with for the period from 1 January 2020 to the date of the annual report. The measures which the Company has adopted to ensure the compliance with the Deed of Non-Competition include:

- (1) The Company has enquired with each of the Controlling Shareholders on whether each of the Controlling Shareholders or any of his/her close associates has engaged in any business which may directly or indirectly compete or may compete with the principal business of the Company, other than being a Director or Shareholder of the Company;
- (2) The Company and the Board have requested the Controlling Shareholders to confirm to the Company regarding the compliance of the terms of the Deed of Non-Competition and the enforcement of undertakings under the Deed of Non-Competition. The Controlling Shareholders confirmed to the Company that they have complied with the terms of the Deed of Non-Competition for the period from 1 January 2020 to the date of the annual report; and
- (3) The Company and the Board are not aware of any breach of the Deed of Non-Competition by the Controlling Shareholders for the period from 1 January 2020 to the date of the annual report.

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this report, 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").

DIRECTORS' REPORT (Continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Details of corporate governance practice adopted by the Company are set out in the section of "Corporate Governance Report" of this Annual Report.

AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO") was appointed by the Directors as the auditor of the Company. BDO will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2020 have been audited by BDO.

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, PRC, 30 March 2021

* For identification purpose only

SUPERVISORS' REPORT

The current session the Board of Supervisors consists of three Supervisors (namely Mr. ZU Li (祖力先生), Mr. YE Weizhou (葉偉周先生) and Mr. TIAN Wen (田文先生).

WORK OF THE BOARD OF SUPERVISORS

During the year ended 31 December 2020, all members of the Board of Supervisors earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements Law of the PRC, relevant regulations and the Articles of Association; Supervisors attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management, thereby promoting the Company's standard operation and healthy development.

The annual meeting of the Supervisory Committee was held on 30 March 2021 to consider the 2020 consolidated financial statements of the Group and the report of Supervisory Committee for 2020 and to receive the report on the 2020 results announcement of the Company.

The Supervisory Committee is of the view that since the Listing Date and up to the date of this report, the operation of the Company has been consistent with the provisions of the Company Law of the PRC, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company has been in compliance with the laws, and the Company has established a relatively comprehensible internal control system; and that the Directors and senior management have not violated any law, regulation or the Articles of Association, nor have they acted in a way which is prejudicial to the interests of the Company.

The Supervisory Committee agreed with the audit opinion on the 2020 consolidated financial statements of the Group, and that the consolidated financial statements of the Group have given a true and fair view of the consolidated financial position and the consolidated financial performance of the Group.

The Supervisory Committee considered that the Board earnestly implemented the resolutions approved by the general meetings.

In 2021, the Supervisory Committee will continue to carry out its fiduciary duties to implement effective supervision on the Company, its Directors and senior management in accordance with the relevant provisions of the Company Law of the PRC, the Articles of Association and the Listing Rules; and pay close attention to the operation and management status of the Company as well as any significant development of the Company, so as to facilitate the profit growth of the Company and to dutifully protect the interest of all Shareholders of the Company.

On Behalf of the Supervisory Committee
Mr. ZU Li
Chairman

Shenzhen, PRC, 30 March 2021

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board comprises of 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. Throughout the period since the Listing Date to the date of this annual report, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to code provision A.2.1 of the Corporate Governance 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. Our Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and general manager of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”), the nomination committee (the “Nomination Committee”) and strategy committee (the “Strategy Committee”) (each a “Board Committee” and collectively the “Board Committees”), to oversee different areas of the Company’s affairs. As at the date of this annual report, the composition of the Board is as follows:

Executive Directors:

Mr. YE Yujing (葉玉敬先生)
Mr. YE Jiajun (葉家俊先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Niangting (葉娘汀先生)

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)
Ms. ZHAI Xin (翟昕女士)
Mr. LIN Zhiyang (林志揚先生)

Their biographical details and (where applicable) their family relationships are set out in the section headed “Biographical Details of Directors, Supervisors and Senior Management” on pages 6 to 9 in the annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors are available on the Company’s website.

There is no financial, business or other material/relevant relationships among members of the Board.

The functions and duties of the Board include but are not limited to: convening Shareholders’ general meetings and reporting the Board’s work at the Shareholders’ general meetings; implementing the resolutions passed at the Shareholders’ general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continual professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

CORPORATE GOVERNANCE REPORT (Continued)

According to Code A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company has already bought the relevant insurance to cover the liability insurance for the Directors for the year of 2020 and renewed the insurance on 13 November 2020 to cover the period from 14 November 2020 to 13 November 2021.

Directors' Continual Training and Professional Development

The directors have received training and induction on their duties and responsibilities as directors and the requirements of and their obligations under, amongst others, the Listing Rules and the SFO. On appointment, each new director is provided with orientation materials regarding his or her duties and responsibilities under the Articles, the Listing Rules, the SFO and the Company's corporate governance policies, as well as an understanding of the Group's corporate goals, activities and business, strategic plans and financial performance and position.

The company secretary is responsible for keeping directors updated on the Listing Rules and other regulatory and reporting requirements changes and developments.

To develop and refresh their knowledge and skills, the directors are expected to participate in appropriate continuous professional development training that covers updates on laws, rules and regulations and also directors' duties and responsibilities. During the Year of 2020, all the directors received and read materials on recent amendments to the Listing Rules, etc. All the directors have confirmed they have received appropriate continuous professional development training during the Year of 2020.

Independence of Independent Non-Executive Directors

The role of the independent non-executive Director is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the over all interests of the Shareholders and the Company.

They serve actively on the Board and Board Committees to provide their independent and objective views. In compliance with Rules 3.10 (1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10 (2) of the Listing Rules.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee are respectively available on the Company's website.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established an audit committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. CHEUNG Wai Yeung Michael, Ms. ZHAI Xin and Mr. LIN Zhiyang. Mr. CHEUNG Wai Yeung Michael currently serves as the chairman of our audit committee. Throughout the year 2020, the meetings of the Audit Committee were held on 30 March 2020 and 28 August 2020. All committee members attended the said meetings during their present term of office.

CORPORATE GOVERNANCE REPORT (Continued)

Pursuant to the meeting of the Audit Committee on 30 March 2021 the Audit Committee has reviewed, among other things, the consolidated financial statements of the Group for the year ended 31 December 2020 including the accounting principles and practices adopted by the Group, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Remuneration Committee

The Company has established a Remuneration Committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration of Directors and our senior management and to recommend members of the Board.

Our Remuneration Committee consists of three members, being Ms. ZHAI Xin, Mr. YE Guofeng and Mr. CHEUNG Wai Yeung Michael. Ms. ZHAI Xin currently serves as the chairman of our Remuneration Committee.

Pursuant to the meeting of the Remuneration Committee on 30 March 2020 of which all members attended during their present term of office, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of the senior management for the year ended 31 December 2020 is as follows:

Remuneration band (RMB)	Number of individuals
0–1,000,000	4

Note: The 4 individuals include Mr. YE Guofeng, Mr. YE Niangting, Mr. ZHANG Zhiqin and Ms. KOU Yue as members of senior management.

Nomination Committee

The Company has established a Nomination Committee on 21 August 2015 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our Nomination Committee consists of three members, being Mr. LIN Zhiyang, Mr. YE Yujing and Ms. ZHAI Xin. Mr. LIN Zhiyang currently serves as the chairman of our Nomination Committee.

Pursuant to the meeting of the Nomination Committee on 30 March 2020 of which all members attended during their present term of office, the Nomination Committee has reviewed the policy for the nomination of Directors the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (Continued)

To enhance the quality of the performance of the Board and to achieve diversity on the Board, the Board adopted its Board Diversity Policy, pursuant to which (i) all Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board; and (ii) selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. If it involves the appointment of an independent non-executive Director of the Board, the Nomination Committee shall also consider the perspectives, skills and experience that the person can bring to the Board, and how the person would contribute to the diversity of the Board. The Company shall take into account its own business model and specific needs, and disclose the rationale for the factors it uses for this purpose. The ultimate decision be based on merit and contribution that the selected candidates will bring to the Board. For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (1) at least one-third of the members of the Board shall be independent non-executive Directors;
- (2) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- (3) at least 70% of the members of the Board shall have more than ten years of experience in the industry he/she is specialised in; and
- (4) at least two of the members of the Board shall have building decoration-related work experience.

For the year ended 31 December 2020, the Board has fulfilled the measurable objectives of the Board Diversity Policy.

Strategy Committee

The Company has established a Strategy Committee on 21 August 2015. The primary duties of the Strategy Committee are to (1) research and recommend to the Board the long-term development and strategic plans of the Company; (2) research and recommend to the Board matters that are material to the development of the Company; (3) check the implementation of above-mentioned matters that are approved via Board meetings or Shareholders' meetings; (4) ESG governance; and (5) deal with other strategic matters that are authorised by the Board.

Our Strategy Committee consists of five members, being Mr. YE Yujing, Ms. ZHAI Xin, Mr. LIN Zhiyang, Mr. YE Jiajun and Mr. YE Guofeng. Mr. YE Yujing currently serves as the chairman of our Strategy Committee.

Pursuant to the meeting of the Strategy Committee on 30 March 2020 of which all members attended during their present term of office, the Strategy Committee has researched the long-term development and strategic plans of the Company and recommended to the Board the matters that are material to the development of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continual professional development of Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report of Directors' Continual Training and Professional Development, and Independence of Independent Non-Executive Directors.

CORPORATE GOVERNANCE REPORT (Continued)

Attendance Record of Directors

All Directors have access to the advice and services of the company secretary with a view to ensuring the Board procedures are followed. During 2020, a total of 19 Board meetings, three general meetings, (the 2019 Annual General Meeting, the 2020 First Extraordinary General Meeting and the 2020 Second Extraordinary General Meeting,) were held. Attendance of each Director is set out as follows:

Name of Director	Board	Attendance/Number of Meetings				
		Audit Committee ^(Note)	Remuneration Committee ^(Note)	Nomination Committee ^(Note)	Strategy Committee ^(Note)	General Meeting
Mr. YE Yujing	19/19	N/A	N/A	1/1	1/1	3/3
※Mr. LIU Yilun	12/12	N/A	N/A	N/A	1/1	2/2
※Mr. YE Jiajun	7/7	N/A	N/A	N/A	N/A	1/1
Ms. YE Xiujin	19/19	N/A	N/A	N/A	N/A	3/3
Mr. YE Guofeng	19/19	N/A	1/1	N/A	1/1	3/3
Mr. YE Niangting	19/19	N/A	N/A	N/A	N/A	3/3
Ms. LI Yuanfei	19/19	N/A	N/A	N/A	N/A	3/3
Ms. ZHAI Xin	19/19	2/2	1/1	1/1	1/1	3/3
Mr. CHEUNG Wai Yeung Michael	19/19	2/2	1/1	N/A	N/A	3/3
Mr. LIN Zhiyang	19/19	2/2	N/A	1/1	1/1	3/3

Notes:

※ Mr. LIU Yilun resigned as a Executive Director on 23 July 2020; Mr. Ye Jiajun was appointed as a Executive Director on 28 August 2020.

During the year, the Chairman also held a meeting with the independent non-executive Directors without presence of other Directors.

Board Proceedings

Meetings of the Board of Directors shall be held regularly at least four times every year and shall be convened by the chairman of the Board of Directors. Directors shall be notified ten days before the date of the meeting. A quorum will be formed by more than half of the Directors (including the proxies) attending a Board meeting in person. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other Directors shall exercise their power as Directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board of Directors must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote. During 2020, 19 Board meetings were held and all Directors attended the meetings that they were required to attend.

Board of Supervisors

The Board of Supervisors consists of three Supervisors. The non-employee representative Supervisor are elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. Functions and duties of the Board of Supervisors include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

CORPORATE GOVERNANCE REPORT (Continued)

Model Code for Securities Transactions

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' and Supervisors' securities transactions on terms or less exactly than the requested standard set out in the Model Code. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this report.

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.

COMPANY SECRETARY

The Group had appointed Ms. KOU Yue and Mr. LIU Yilun as our joint company secretaries. Both Ms. KOU Yue and Mr. LIU Yilun were appointed as the joint company secretaries of the Board of Directors since September 2015. On 23 July 2020, resignation of Mr. Liu took effective. Mr. Kou became the sole Company Secretary since 23 July 2020. Please refer to the paragraphs headed "Directors, Supervisors and Senior Management" for further details on Ms. KOU's biography.

The Company confirms that Ms. KOU Yue has complied with Rule 3.29 of the Listing Rules and have attended no less than 15 hours of relevant professional training in 2020.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the China Accounting Standards for Business Enterprises, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern. Responsibilities of BDO China Shu Lun Pan Certified Public Accountants LIP, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal controls and risk management

The Board recognises its responsibility to ensure the Group maintains a sound and effective internal control system and risk management. The Board has conducted a review of the effectiveness of the internal control system and risk management of the Group during the year. The Group's internal control and risk management systems is designed to safeguard assets against misappropriation and unauthorized disposition, and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis annually based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control and risk management systems are reasonably implemented and considered them efficient and adequate. For the handling and dissemination of inside information, the Group has internal policy which strictly prohibit unauthorised use of inside information and has communicated to all staff.

External Auditor

On 13 January 2021, the Company announced that PricewaterhouseCoopers has resigned as auditor of the Company, and BDO China Shu Lun Pan Certified Public Accountants LIP ("BDO") was appointed as the external auditor of the Company to fill the temporary vacancy.

Until the date of the annual report, the fees paid and payable to BDO in respect of its review on the annual audit services provided to the Company were approximately RMB0.48 million and RMB1.12 million respectively.

There was no disagreement between the Board and the Audit Committee on the election and appointment of the external auditor during the year under review.

CORPORATE GOVERNANCE REPORT (Continued)

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any Shareholder(s) who individually or jointly hold 10% or more of the Company's issued voting shares at the date of the deposit of the requisition, shall at all times have the right, by written requisition sent to either (i) the head office and principal place of business in PRC or (ii) the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitioner(s) and deposit it to the Board or the company secretary of the Company at either (i) the head office and principal place of business in PRC at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, PRC or (ii) the Company's principal place of business in Hong Kong at Room 705, 7F., Office Plus @ Prince Edward, 794-802 Nathan Road, Kowloon, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within thirty days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitioner(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitioner(s).

Per Article 8.5, the Company convenes the annual general meeting, a written notice of the meeting shall be provided in no less than twenty (20) full business days prior to the date of the meeting to notify all the shareholders registered in the register of shares with respect to the matters to be considered, and the time and the place of the meeting. When the Company convenes the extraordinary general meeting, a written notice of the meeting shall be provided in no less than ten (10) full business days or fifteen (15) days (whichever is earlier) prior to the date of the meeting (including the date of meeting but excluding the date of the notice) to notify all the shareholders registered in the register of shares with respect to the matters to be considered, and the time and the place of the meeting.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim reports, notices, announcements and circulars and the Company's website at www.aidewei.cn.

Constitutional Documents

On 28 August 2020, the amendments to the Articles of Association of the Company was approved by the Shareholders of the Company at the extraordinary general meeting, on matters in relation to, among others, "Notifying period for shareholders meetings". For details, please refer to the circular of the Company dated 13 July 2020.

On 5 March 2021, the Shareholders of the Company approved the amendment to the Articles of Association at the extraordinary general meeting. The amendment to the Articles of Association include "change in accounting policies". For details, please refer to the circular of the Company dated 18 January 2021. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT (Continued)

Environmental, Social and Governance Report

This is the fifth environmental, social and governance report released by the Group pursuant to the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) provided in Appendix 27 to the Listing Rules on the Stock Exchange, which sets out the Company’s policies and practices in three aspects namely environmental protection, working environment, and community involvement for the year ended 31 December 2020.

ENVIRONMENTAL PROTECTION

The Group’s business operations are subject to a number of environmental protection laws, regulations, policies and standards in the PRC, including the Law of the People’s Republic of China on Prevention and Control of Pollution from Environmental Noise 《中華人民共和國環境雜訊污染防治法》 and the Standards for Indoor Environmental Pollution Control of Civil Building Engineering 《民用建築工程室內環境污染控制規範》.

The Group is committed to minimising the adverse impact on the environment resulting from the Group’s business activities. In order to promote environmental awareness and ensure compliance with the applicable environmental protection laws, regulations, policies and standards, the Group has established an environmental management system, which has obtained certification to ISO14001. The Directors are of the view that the annual cost of compliance with the applicable environmental protection laws, regulations, policies and standards was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

WORKING ENVIRONMENT

The Group believes that its long-term development depends on the Group’s standardized and pragmatic management philosophy and flexible and innovative business ideas, as well as the expertise and work experience of its employees. The salaries and benefits of employees of the Group mainly depend on the type of work, job level, position, number of years and the wage guidance price of the human resources market where the group is located, while referring to the group’s operations and benefits. In order to enhance the skills and technical expertise of the employees, the Group provides regular training to them and encourages them to develop various of business and professional learning activities.

The Group mainly recruits through regulated recruitment websites and practice bases for the new graduates in the major counterparts universities. As at 31 December 2020, the Group had total of 335 employees. The following table provides a breakdown of the Group’s employees by function:

Function	Number of employees
Administration and management	40
Project management	116
Design	18
Research and development	24
Technical support	4
Procurement	12
Sales and marketing	91
Accounting and finance	30
Total	335

The Group has a labor union that protects our employees’ rights, assists us in attaining the economic objectives of the Company, encourages employees to participate in management decisions and assists us in mediating disputes with union members.

Of the 116 project management personnel, 102 are project managers while 27 have duties in other department. And apart from these 24 research and development personnel listed above, 23 of our employees in other departments in our research and development initiatives. In order to avoid double counting, these 23 employees are not counted towards “research and development” in this table.

CORPORATE GOVERNANCE REPORT (Continued)

OCCUPATIONAL HEALTH SAFETY

Safety Management System

The Group is committed to providing a safe and healthy working environment for our employees and workers. The Group has adopted work safety measures to prevent the occurrence of industrial accidents and reduce construction risks, and our occupational health and safety management system has obtained certification to OHSAS 18001. The Group has in place construction safety and fire safety guidelines, and the Group's safety management system includes, among others, safety training to the Group's employees, regular on-site safety inspections, requiring the Group's workers to use safety equipment and ensuring that all technical staff, such as electricians and welders, have received specialised training and possess all necessary licences or qualifications. In respect of projects that are of a larger scale, the project supervision units and local government authorities will monitor and supervise, among other things, the implementation of work safety measures during project implementation.

The Group possesses the Work Safety Licence* (安全生產許可證) issued by the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳). Such a licence can only be granted by competent construction administrative authorities at provincial level or above, and to enterprises engaging in construction activities which have satisfied certain work safety requirements. Pursuant to the applicable PRC laws and regulations, the issuing authority of the Work Safety Licence* (安全生產許可證) has the power to, after granting the licence, monitor the implementation of the work safety measures by the relevant company and review the adequacy of such measures.

COMMUNITY INVOLVEMENT

The Group has been committed to fulfilling the corporate social responsibility and has continued to dedicate the internal resources to charitable activities. During 2020, to support the national response to COVID-19, the Group donated cash and merchandise equivalent to approximately RMB210,000 to various organization supporting the COVID-19 relief efforts (in 2019: RMB21,000 donation in Mainland China).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THIS REPORT

Reporting Scope

This report covers the period from 1 January 2020 to 31 December 2020 and describes the Group's environmental and social contribution during 2020. The contents of this report cover the Company and its subsidiaries.

Reporting Standard

This report is prepared in accordance with the Appendix 27 of "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") of the Hong Kong Stock Exchange Listing Rules and the consultation summary of the latest "Environmental, Social and Governance Reporting Guide" issued by the Stock Exchange in December 2019.

Content Description

All data in this Report is derived from the official constitutional documents of the Group, statistical reports or relevant public information.

Reporting Principles

Materiality: The materiality of the Group's ESG issues is determined by the Board. The process of communication with stakeholders and identification of material issues and the matrix are all disclosed in this Report.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for qualitative key performance indicators herein and source of conversion factors are all explained in the definitions of the Report.

Balance: The Report is prepared on an unbiased basis, allowing all the stakeholders to understand the overview and achievement on the Group's corporate social responsibility.

Consistency: The Group has used the consistent methodologies for the data stated in the Report

II. THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONCEPT

Adhering to the corporate vision of "Independent innovation, Brand-building, and Piloting in architectural decoration industry" and the national strategic direction, the Group advocates and pursues the concept of sustainable development. During business development, the Group also takes the environmental and social benefits into account with its consistent commitment as a corporate citizen which is to care for the natural environment, put emphasis on employees' development and maintain a fair and healthy operation environment. The Group always implements its commitments as a corporate citizen, and holds on and endeavors together with the stakeholders to achieve sustainable development together.

The Group promises:

“Law-abiding and being truthful and honest” is the responsible attitude for us to employees, our shareholders, and our society.



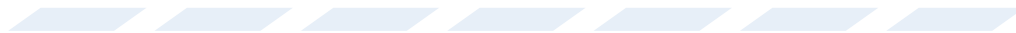
“Strive for Win-win, Become a leader in building decoration industry” is a lofty mission and a solid foundation for fulfilling our social responsibilities.



“To decorate with love by Adway. Devote more quality. Reach for perfection” is the virtue we adhere to for all the time to create a stage with excellence as core.



“To Love in harmony, to get from quality, to be top by development, to create brands”, is our spiritual motivation that drives us to protect the environment, conserve the resources, and continuously give back to the society.



Establish ESG governance framework and declare directors’ responsibility

Our board of directors (the “Board”) authorized our Strategic Committee to discharge their ESG governance duties, besides the original responsibilities as “research and recommend to the Board the long-term development and strategic plans and the matters that are material to the development of the Company, as following:

- (a) investigate any activity within its terms of reference;
- (b) request information from any employee, member of the management, director, agent, consultant or advisor, external auditor, internal auditor and all such persons will be directed to co-operate with any request made by the Committee;
- (c) consult any external legal, accounting or other independent professional body and to invite the attendance of outsiders with relevant experience and expertise at the expense of the Company;
- (d) approve expenses relating to the seeking of external advice and on the establishment of compliance or ESG management system;
- (e) delegate appropriate authority to the management for execution of instructions when considered appropriate; and
- (f) be provided with sufficient resources to discharge its duties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

The responsibilities related to ESG governance are as follows:

- (a) to review and develop the environmental, social and governance (“ESG”) risk management framework of the Company, and identify, analyse, evaluate and determine ESG risks faced by the Company;
- (b) to supervise and review the materiality assessment of ESG issues of the Company in compliance with current ESG requirements and report to the Board on key ESG issues;
- (c) to review and develop ESG strategic objectives, review the achievement of ESG objectives and supervise the ESG performance of the Company in line with the expectations and requirements of investors and regulators;
- (d) to review annual ESG reports of the Company to ensure the compliance and completeness of the Company’s annual ESG reports, and propose specific actions or decisions to the Board for consideration;
- (e) to review and confirm whether the ESG structure of the Company is adequate and effective, supervise and manage the Company’s implementation of ESG work; and
- (f) The proposals formulated by the Strategic Committee shall be submitted in the form of a report to the Board for approval.

The group’s senior management works as the ESG’s leading institute, coordinating ESG management, reviewing ESG important issues and annual reports; the Securities Department of the Group is responsible for the communication and coordination of ESG’s daily management, and co-ordinate the preparation of annual reports; the relevant functional centers and departments diligently implement the group’s work plan, effectively fulfill their ESG responsibilities, actively promote sustainable capacity development, and assist in the collection of data and the drafting of the ESG report.

III. STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

The Group always values the interchange and communication with the stakeholders. The timely understanding of their appeals and expectations would facilitate us in objective review of the environmental and social impacts of business development, and in rationally planning and evaluating the Group’s work on sustainable development. Considering the different characters of the stakeholders, we launched the questionnaires, interviews, and group discussions to ensure the smooth and efficient communication and provided response in a timely manner.

Stakeholder Communication Mechanism

Stakeholder Category	Aspirations and Expectations	Communication and Response
Government and regulatory authorities	<ul style="list-style-type: none">• Implementation of national policy• Legal compliant operations• Project cooperation• COVID-19 precautionary measures	<ul style="list-style-type: none">• Operate according to laws and regulations• Respond to relevant national policy requirements• Questionnaires and supervision• Boost employment• Establish COVID-19 precautionary mechanism

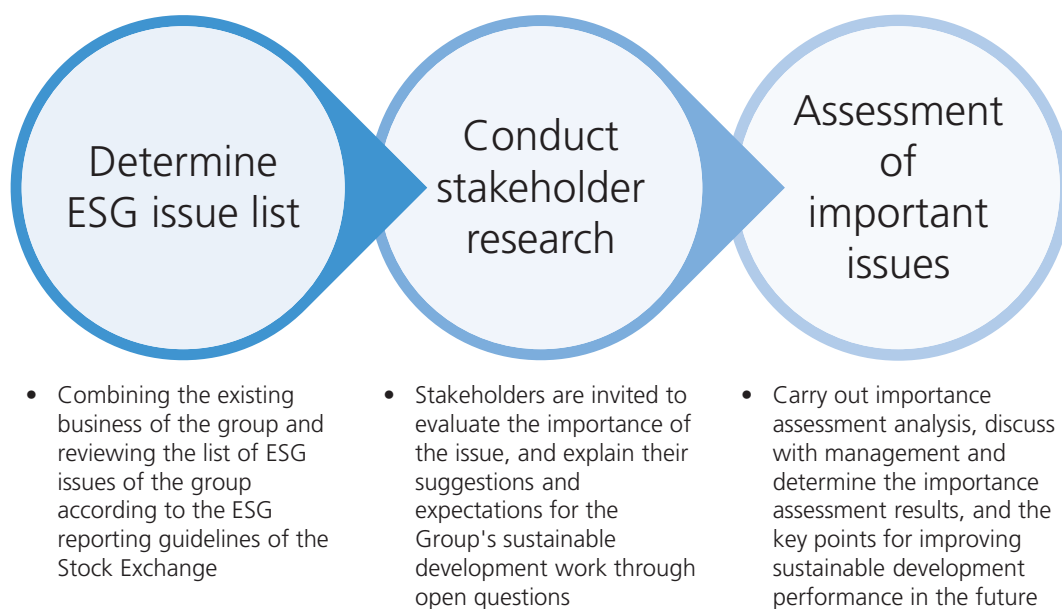
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Stakeholder Category	Aspirations and Expectations	Communication and Response
Investors and shareholders	<ul style="list-style-type: none"> • Financial performance • Corporate transparency • Enterprise sustainable profit 	<ul style="list-style-type: none"> • Improve performance • Daily information disclosure and performance disclosure • Convene shareholders' meeting • Maintain Investor relationships
Clients	<ul style="list-style-type: none"> • Product and service quality • Stable relationship • Customer information protection • Responsible marketing 	<ul style="list-style-type: none"> • Optimize product and service quality • Improve customer service system • Strengthen cyber security • Legally compliant marketing • Establish a customer communication mechanism
Staff	<ul style="list-style-type: none"> • Protection of employees' rights • Promote employee development • Pay attention to employee safety and health • Listen to employees 	<ul style="list-style-type: none"> • Improve the compensation system and welfare guarantee system • Optimize career promotion mechanisms • Implementation of health and safety management system • Establish a multi-channel communication platform
Suppliers and partners	<ul style="list-style-type: none"> • Cooperation in good faith • Win-win • Fair and just 	<ul style="list-style-type: none"> • Conduct reviews and evaluation • Create a responsible supply chain • Carry out project cooperation • Promote daily communication
Industry associations and media	<ul style="list-style-type: none"> • Comply with industry standards • Drive industry innovation • Transparent and open information 	<ul style="list-style-type: none"> • Participate in industry seminars and exchanges • Join industry organizations to promote industry innovation • Improve news disclosure mechanism and optimize public opinion feedback mechanism
Community	<ul style="list-style-type: none"> • Support social welfare • Caring for the poor 	<ul style="list-style-type: none"> • Actively participate in social welfare activities • Targeted poverty alleviation

Materiality assessment of ESG issues

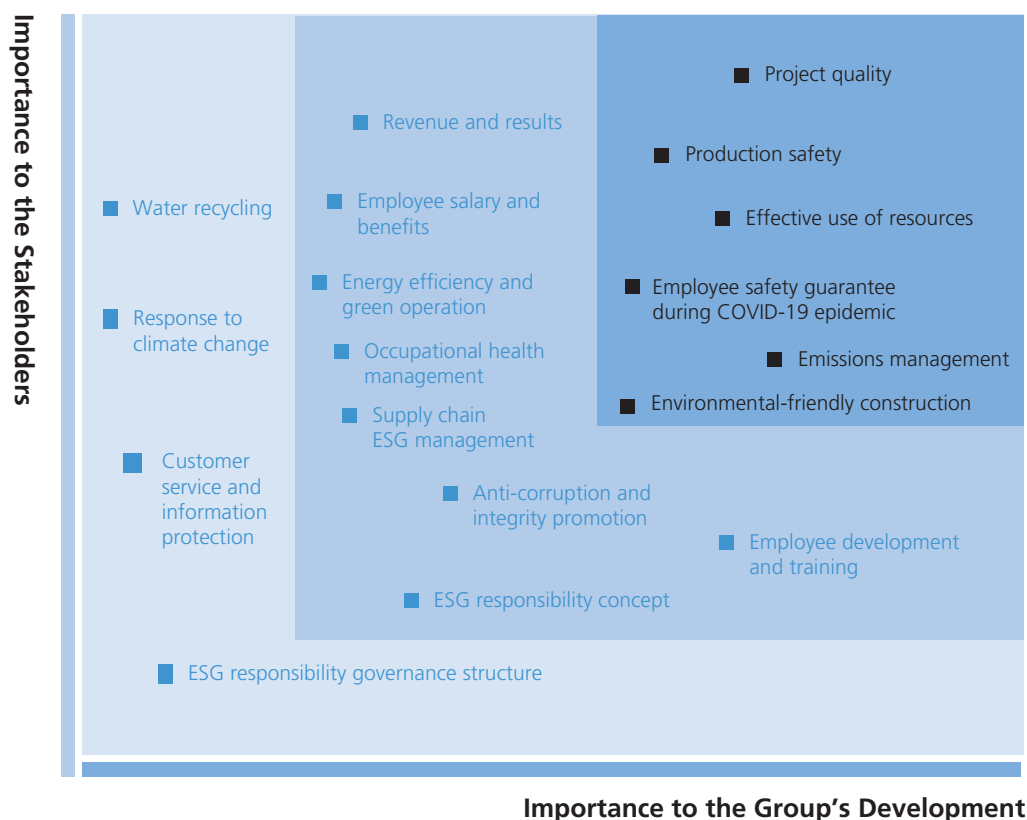
Materiality Assessment

In order to better understand the opinions and expectations of the stakeholders on the Group's sustainable development performance, in 2020, the Group hired a third-party professional consultant to chair the annual important issues assessment. The specific work steps are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Our materiality assessment result for the year of 2020 is shown in the matrix below:



The list covers a total of 18 topics with high relevance to the Group's business development and stakeholders' concerns in the four categories of "employment and labor regulations", "operational practice", "environmental protection" and "investment" in community.

Based on the outcome of materiality assessment for this year, we will, in this report, accordingly strengthen the disclosure of the Group's work in relevant areas, and regard this result as an important reference basis for the next year's ESG plan. Meanwhile we will consolidate and improve our Stakeholder communication mechanism to keep abreast of the each party's opinions and suggestions on the Group ESG status to continuously improve the related management level and work performance.

IV. REFINED QUALITY TECHNOLOGY FIRST

With the mission of “inheriting the classics of craftsmanship of Luban, improving the quality through advance in technology”, the group is committed to becoming an internationally leading integrated green decoration service provider of the smart home, creating the boutiques projects embodying the spirit of the times and the sense of value, turning the tide of the industry, leading the future in decoration field and improving the humane environment, and interpreting the “craftsmanship” in the practice.

Quality Control

Adhering to the “quality always be the top priority” management concept, the Group establishes and implements a standardized quality management system to ensure the delivery of the high-quality project, and continually promotes the group’s project management level. The group has been certified to the ISO 9001 system — a quality management system.

Improve management system

The Group thoroughly implements the national quality management policies, laws, and regulations, and has enacted the clear guidelines for the whole chain of material inspection, engineering construction, and completion and delivery. In 2020, based on the original quality management system, the company formulated “Project On Site Management System” and “Civilized Construction and Sanity Management System”, etc., to subdivide the management duties, implement various management systems under the framework of the eight quality management work systems, and comprehensively control project quality.

Implement the quality management responsibility system

The Group established a leading group on quality control at the headquarters. Quality control supervisors have been assigned in each branch and project department. They are responsible for on-site supervision and reporting of project quality, organizing and promoting the various quality improvement activities and sticking to the implementation of the quality assessment system, and to put in place “every step is under strict control, so that every person bears his own responsibilities, everything is evidence based, operations are based on standards, and supervision applies at all levels”.

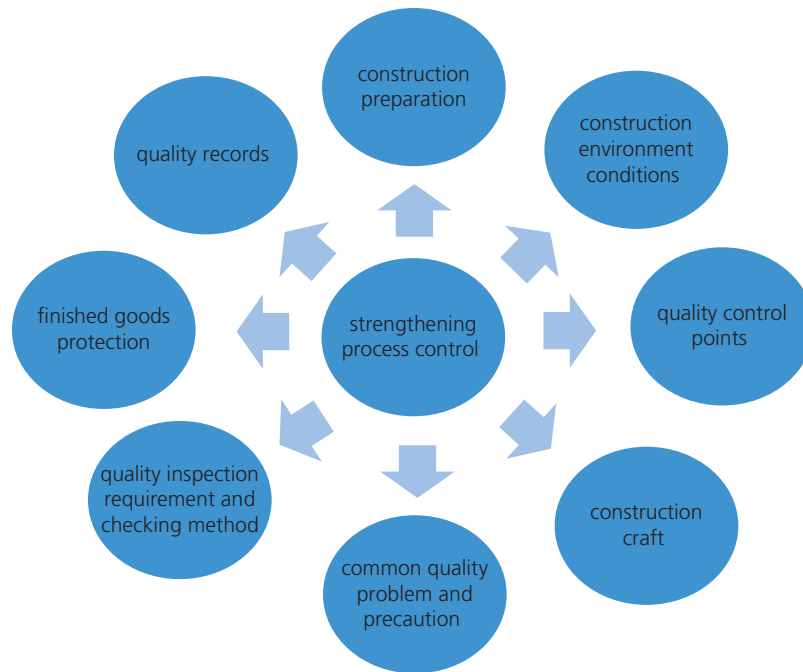
Full cycle quality management

- ***Before construction***

Develop the construction plans in accordance with quality standards and regulations, diligently screen and select the suppliers and qualified labor agencies; meanwhile strengthen the inspection of raw materials to ensure they meet the project requirements, technical regulations and quality standards.

- **Under construction**

Continue to implement the model system and the triple inspection system. Each process produces prototypes according to design requirements, specifications and quality standards. The prototypes are set as the benchmark. If the project quality cannot reach this benchmark during construction, it is deemed to be defective and must be reworked to ensure the quality of large-scale construction project. To solidify the dynamic safety management on site, the project manager is responsible for closely monitoring the construction situation and progress, and strengthening the daily safety inspection efforts to improve the quality risk control level.



- **Project delivery**

The Group strictly implements the delivery inspection process, conducts a comprehensive assessment of the finished project in accordance with the dimensions and requirements of the delivery inspection evaluation, early warning of risks, and timely rectification of the inspection results, strictly controls the quality of the delivery, and ensures the acceptance of the final inspection by the customer or the designated supervision unit.

Implement quality training

As an important part of cultivating the “quality first” culture, the Group attaches a great importance to the training and publicity over quality issues. Through thematic training and annual “quality and safety month” activities, it continues to consolidate the quality management capabilities and the management consciousness of the project personnel, and jointly implements “dedication to quality, to the best” brand concept.

Safety Management

Safety production is the cornerstone of the building construction enterprises, the lifeblood of development, and the premise of various work of the enterprise. While fully committed to building the boutique project, the Group continues to enforce the safety management mechanisms, strictly implement the safe and civilized on-site engineering construction, and rigorously practice the close inspection on safe and civilized construction for the purpose of risk prevention and guarding against the accidents. No work-related injuries or deaths happened during the Reporting Period.

The Group regards the safety education on project implementation as a key part of safety management and control, consolidates the idea of "safety first, prevention first and comprehensive management", and implements it in daily construction and production. June of 2020 was the 19th "national quality and safety month". To further consolidate the safety development beliefs, and defuse the hidden danger in safety production, all project departments of the Group implement "full-employment for safety" activities that focus on the topic of "eliminating the hidden danger and soliding the safety borderlines". Through conducting safety training, physical examination, and emergency exercises for employees, the Group strengthened employees' safety awareness, reached the consensus on safety production, made great efforts in safety production when COVID-19 precautionary measures became the norm, offered the solid safety security to the stable and healthy development of the enterprise.

Through careful maneuvering, all-in participating and solid implementing, "quality and safety month" activities was carried on smoothly and lay the good foundation for improving the Group-wise standard of safe operation. Adway would vigilantly be aware of the safety production, put the idea "strengthening the safety production" into practice, drive the continuous stable in safe production, safeguard the red line for safety of construction quality project.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

To further enhance employees' fire safety consciousness and popularize fire safety knowledge, on 23 December 2020, the Group conducted the fire safety training. This training improved the employees' fire safety knowledge, aroused their consciousness and initiatives on daily fire safety regime, which provides a safe working environment.



Deepening Innovative Research and Development ("R&D")

Featuring "Green, environmental-friendly, quality and brand", developing boutique project has become the main stream in the building decoration industry. The peer enterprises in the industry increased their investment in the research and development on intelligent manufacturing and Smart product.

Adhere to the strategy "New horizon, innovative drive of new construction technology, restoration of culture value, boosting Internet of Things, Smart Home, Collaborative exploring and developing the new energy construction material", the Group has been digging its city moat to "barrier" the competitors, promoted remarkably the added value of its product, particularly through the continuous culture and technology innovation, to boost the organic integration of the construction industry, culture and art and intelligent business, enhanced the quality and function of the product, and improved the corporate competitiveness.

Being the national hi-tech corporate, the Group regards the innovation as the major drive to development. Since establishing the research center in 2008, the Group continuously injected the capital equivalent to more than 4% of its revenue into the technology research, creative cultures and talent cultivation, to create the multiaspect brand product featured as "Green architecture, craft culture and smart home". In 2020, the Group filed 12 invention patents, meanwhile was granted 14 patents for utility model. All of them are building decoration industrial patents, and involved the energy-saving environmental-friendly new materials and new technique. They can be effectively applied in our project construction. This reflected the effect of industrialized science and technology, and enhanced the added value of the industry.

Intellectual Property Protection

While investing heavily in R&D and innovation, the Group complies with laws and regulations such as the Intellectual Property Law of the People's Republic of China, the Trademark Law, and the Copyright Law, formulates and implements the Intellectual Property Management System, and gradually builds a standardized intelligent property management system. We set aside funds for intellectual property projects, establish patent information databases for our major products (technologies) to promote R&D and innovation, and protect the group's intellectual property from infringement.

The Group's intellectual property management runs through the entire process of innovative research and development. Before initiating the research tasks, or launching the new technology and the new product, it is necessary to conduct retrievals and searches for new patents and non-patent documents, submit search reports and provide the feasibility proposals from an intellectual property perspective to avoid repeated research and development or unnecessary infringement disputes; during the research and development phase, the project leader shall keep the technical information of the entire process of the project confidential; after the project is completed, transfer the technical information to the research and development department for intellectual property declaration, and to ensure the security of technical data. When cooperating with outsider entities in research and development, sign a written cooperation agreement and a confidentiality agreement to clarify the percentage of intellectual property obtained by both parties respectively; when transferring, sign a transfer contract in accordance with laws and regulations to clarify the title, quantity, and license period of property rights.

On 31 December 2020, the Company owns 7 invention patents, 126 utility model patents and 33 software copyright.

Reasonable Promotion and Marketing

The Group strictly abides by the Advertising Law of PRC and other relevant laws and regulations, formulates and implements the marketing and promotion-related rules and regulations, strictly manages promotion-related issues such as advertising and promotional materials, and strives to be honest and responsible, fair and open for the purpose of effectively protecting the legitimate rights and interests of customers.

In 2020, the Group further deepened the promotion-related compliance management and strictly implemented the step-by-step approval process of "Department head", "Division leader", "Vice president", "President" to ensure the authenticity, accuracy and effectiveness of publicity materials.

Customer Information and Privacy Protection

The Group implements strict information confidentiality regulations, and sets corresponding viewing permissions based on the level of data confidentiality; timely updates permissions settings according to job changes to ensure the security of information. At the same time, we continuously maintain the security of information platforms and protect information systems from viruses, hackers and information leakage incidents.

The Group attaches great importance to the information security code of conduct. Employees must properly keep computer user passwords, work notes and other information, are prohibited from divulging confidential information to others or external entities in any way, and are prohibited from bringing the confidential information outside the office area. In the event of leakage, the Group shall immediately organize personnel to conduct investigations and take counter measures to prevent or reduce economic or reputation losses caused by leaks, and severely penalize any violations of the confidentiality system.

Degree of Satisfaction and Industry Recognition

While ensuring the delivery of high-quality projects, the Group values the customers' opinions and suggestions, continuously communicates to gain the customer insights, and endlessly endeavors to go beyond the customers' expectations on the performance. The Group has now established the strategic partnerships with many enterprises. Based on this, we will further consolidate quality management, deepen research and development innovation, and construct a long-term and stable cooperative relationship based on its advantages in technology and quality.

The Group's continuous pursuit of quality earned it the recognition and reputation around the industry, while many projects have been awarded the industry boutique engineering awards.

During 2020, the Group was awarded three National Construction Engineering and Decoration Awards that are composed of the followings:

"Segment 1, 2nd phase of Atlantis Hotel Project, Haitang Bay, Sanya" won both Curtain Wall Prize and Public Building Decoration Design Prize and "No. 7 Curtain Wall engineering of Guangxia Julong Square Project" won Curtain Wall Prize.

V. PEOPLE-ORIENTED FOR GROWTH

The Group regards talents as valuable resources for the sustainable development of the enterprise. In accordance with relevant labor laws and regulations such as the Labor Law and the Labor Contract Law of the People's Republic of China, it strengthens the internal manpower management systems development, effectively protects the legitimate rights and interests of employees, and establishes a career development platform, constructs an atmosphere of equality, mutual trust, collaboration and tolerance, and strives to achieve the common progress of the Group with the employees.

Staff Recruitment and Team Building

The Group strictly abides by relevant laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, establishes a standardized and efficient recruitment and employment system, and adheres to the principles of fairness, justice, and openness. The Group draws on a wide range of talents through a collaborative approach (including campus recruitment, social recruitment and other channels etc.)

In 2020, based on the concept of "talents are core competitiveness", the Group's human resource department analyzed its talents base and improved the overall planning of the talent-cultivation and talented echelon team making, formulated the corresponding annual talent team construction and the training plans for reserve talent to strengthen the human resource management. The talents foundation was already laid down for the Group's business development.

Performance Management and Career Development

The Group adheres to the principles of objectivity, openness and fairness, strengthens performance evaluation management, and regularly conducts employee performance evaluations. The evaluation results serve as an important basis for bonus distribution and job promotion. The Group emphasizes performance process management to help employees improve their personal capabilities, and effectively promote and enhance employees' conscientiousness, guarantee the timely completion of the daily work of all departments, keep the management oriented, in order to achieve the coordinated development of individuals and enterprises.

The Group is committed to building a comprehensive and multi-channel career development platform for employees, perfecting career promotion channels and assessment standards, in order to motivate employees to fully realize their potential and achieve the effective allocation of talents within the enterprise.

The Group has established a scientific and transparent salary and remuneration management system in accordance with the law. It implements the principle of "performance as priority with the due consideration given to equity". It regularly conducts industry salary surveys to ensure that employees are provided with reasonable, fair, and competitive remuneration packages. Meanwhile, a reward mechanism has been established to confirm the outstanding performance of employees, reflects their own value and fully motivates employees.

The Group contributes to "social insurance and housing fund" on time, arranges the working time properly, guarantees the paid leave, and offered a variety of welfare projects with diversity. The Group organizes the weekly badminton contest. These small-scale regular sports functions improved the communication and cooperation between colleagues, and enhanced our staff's cohesion.



Talent Training Mechanism

The Group is committed to improving its internal talent training mechanism. Through the training system which is covering all ranks and positions, it continuously solidifies the accumulation of employees' professional knowledge, enhances their overall personal capabilities, and helps them to realize their personal career aims.

The Group formulates annual training plans and conducts training activities at multiple levels.

In response to the outbreak of the COVID-19, the Group vigorously conducted the COVID-19 precautionary training for all staff, popularized the knowledge of COVID-19 precautionary and the way to deal with in every day life, improved the safety awareness of staff, and earned a full grasp of the knowledge of COVID-19 precautionary.

Mr. Cheng from Labor health publicity center lectured the basic knowledge and infection characteristic of COVID-19 through PPT and notes, focused on the relevant knowledge, requirements and operation procedures on prevention and combating COVID-19, conducted training on the disinfecting protection in public area, the target of disinfecting, the procedures of personal and family disinfecting, and disinfectant configuration.



Occupational Health and Employee Care

Staying sound of body and mind is a basic element for employee in defending his own rights and interests, and is also an essential condition for the sustainable development of the Group. Our Group attaches great importance to employee's health management, formulates and strictly implements the internal management provisions on occupational health protection, encourages employee to take more exercise through various activities, and organizes physical examination for all staff in August 2020.



The Group, following the instructions of City and district government on resumption of work and production, perfected the COVID-19 precautionary scheme and contingency plan, put the COVID-19 precautionary measures into the practice, resume work and production as planned while implementing COVID-19 precautionary, endeavored to win the battle against COVID-19 finally.



Employee Rights And Equal Participation

The Group highly values the rights and interests of employees. The Group also strictly prohibits child labor and forced labor in any form. According to our Group's human resources management system and staff manual, if the working hours have to be extended due to operational need, employees are entitled to the shift leave. The work-life balance is also advocated in the Group.

In daily work, the Group actively listens to employees' appeals. If the employee experienced any negative emotions in daily work or life, the Human Resources Department would communicate with relevant employees at any appropriate opportunities, understand the causes of problems, and design the reasonable solutions to eliminate conflicts and improve understanding for an effective problem-solving.

The Group implements the principle of equality regardless of the employee's genders, ages, nationalities, races and religious beliefs. Each employee has the equal chances for employment and benefits. Discrimination in any form is strictly prohibited to ensure a fair, justice and open work environment.

VI. WORKING WITH PARTNERS FOR COMMON DEVELOPMENT

The Group attaches the great importance to the supply chain management and strictly implements the access and evaluation of suppliers to ensure the quality of the Group's products and services. At the same time, it actively communicates with suppliers and strives to maintain mutually beneficial and win-win cooperation with trust and assistance.

Supplier Management Mechanism

The Company establishes a supplier access and evaluation management system, conducts a qualified supplier access review for supplier integrity management, safe production, environmental protection, etc.,

Supplier access: The Group's clear supplier access standards, supplier investigation procedures, and other requirements have been used as the criteria for selecting suppliers. It evaluates the candidate suppliers by the dimensions of supplier qualification certificates, operating conditions, and quality assurance systems to ensure that selected suppliers have performance capabilities matching the Group's quality standards. In addition, the Group requires suppliers to comply with the environmental regulations and labor standards or regulations.

Supplier evaluation management: The Group's purchasing department leads, the project implication center participating in, the assessment of major suppliers on a quarterly and annual basis, including assessment of delivery capacity, quality status, pre-sales service and after-sales service, and technical support. The "Supplier Post-purchase Evaluation System" regularly evaluates suppliers. For those listed as unqualified suppliers, transactions cannot be conducted within one year.

Supply chain in which more environment-friendly products used

Through procurement agreement or oral communication, the Company requires suppliers to use environmentally-friendly materials for packaging and minimise adverse impact to the environment if possible.

- The Company assesses discharge permits of suppliers when applicable. Suppliers without valid discharge permits will not pass the Company's supplier assessment.
- When assessing suppliers, the Company takes into account whether the suppliers have been certified to any environmental management system. Suppliers with certified environmental management system attain higher scores in the scoring system.
- The Company requires selected suppliers to sign the Safety, Fire and Environmental Protection Agreement.

And the Company implements supplier directory management for qualified suppliers. The Company carries out daily and annual evaluations of suppliers, comprehensively assessing the quality of raw materials provided by environmental protection measures, etc. from the suppliers, and incorporates the evaluation results into the annual assessment of suppliers.

The Company has been coordinating with the suppliers closely to intensify their consciousness on the environment.

Implement fair procurement and build a responsible supply chain

The Company actively promotes the concept of sustainable development in the whole supply chain management, and strengthen the green development of the industry.

When selecting and evaluating suppliers, we take the factor of the environmental system into accounts.

In the contracts between the Company and suppliers, among the binding clauses, the requirements for environmental protection are specified. In the process of cooperation, the suppliers of the Group are encouraged to use environmentally-friendly products and services.

We also focuses on the issues of environmental protection involved in the process of physical procurement. In view of the issues of scraping and recycling associated with the electronic appliances and machines for projects, we selects the products of qualified suppliers in accordance with the requirements of environmental regulations such as Environmental Protection Law of the People's Republic of China, Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste. We implement dynamic management on qualified supplier catalog, drive the continuous upgrade of supply chain management, strictly carries out comprehensive supplier review, supplemented by on-the-spot investigation. Prohibiting bribery and other illegal activities, and promotes open and transparent procurement activities.

Supply Chain Responsibility Communication

The Group attaches great importance to communication with suppliers. On daily operation, it maintains telephone communication with suppliers once or twice a week and ascertains as much as possible the personnel changes, storage status, production situation, machinery and equipment etc. to keep abreast with the fact that whether the next batch of orders can be fulfilled per our schedule.

The Group requires all suppliers to sign the Commercial Anti-Bribery Agreement which regulates commercial cooperation such as bidding, procurement, and infrastructure, prevents and combats unfair competition, and reflects the spirit of fair cooperation between the two parties.

The Group encourages suppliers to report suspicious corruption, build an external monitoring mechanism, maintain a fair and open procurement environment, and safeguard against any potential corruption and fraud in the supply chain.

VII. ADHERE TO INTEGRITY AND UNCORRUPT NORMS

The Group strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) relevant laws and regulations, establishes and implements the Anti-Corruption and Reporting System, and prohibits bribery, fraud and money laundering delineates red lines for disciplinary actions, improves internal control monitoring measures, promotes the level of internal risk management, and implements measures such as disciplinary penalties to continuously consolidate the Group's anti-corruption initiative. During 2020, no anti-corruption-related lawsuits were filed or concluded against the group or employees.

The Group has established channels (such as mailboxes and hotlines) for reporting complaints about integrity, and published them in employee manuals, anti-commercial bribery agreements and other documents, and actively accepts the joint supervision of internal and external parties such as employees, customers, suppliers, etc. The information about the whistleblower will be kept strictly confidential. Any retaliation against them would be severely dealt with.

After receiving complaint report, the Group's audit department will handle it immediately, and according to the rank of the personnel involved, reports the issue to the general manager or the board of directors to determine the follow-up investigation plan; and reports the investigation results to the audit committee on a weekly basis. After that, the group will discipline the relevant personnel accordingly, and transfer the accused to the judicial authorities for legal violations. At the same time, the Group will take timely remedial measures internally, conduct internal control assessments of relevant business units, formulate and implement relevant rectification measures, and improve then strengthen the internal control system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

The Group attaches great importance to the training and education of anti-corruption, regulates employees' clean employment practices, and is committed to creating a clean working atmosphere. During 2020, the Company formulated and revised the systems to regulate the procurement and the financial supervisory management, and held an eight-hour trainings on anti-corruption. All major business teams of the Company participated in the training session.

VIII. GREEN ENVIRONMENTAL PROTECTION AND LOW CARBON OPERATION

The Group has strictly abides by national and regional environmental protection laws and regulations including Environmental Protection Law of the People's Republic of China. The Group adheres to the principle of "green construction" and continuously improves its environmental management system as an environmentally friendly corporate. The design and construction of Group's architectural decoration project, mechanical and electrical equipment safety engineering contracting and related management activities have passed GB/T24001/ISO14001 environmental management system certification. During the reporting period, the Group did not violate any environmental laws and regulations.

The Company strives to provide the society the green service in building Decoration Industry. During 2020, it formulated the following KPI targets to save energy and protect environment.

1. Cut the energy consumption and transform to clean energy

To achieve this target, we will do the followings:

Encourage utilizing solar power generation systems in construction site and office.

All vehicles are changed from traditional fuel vehicles into electric cars.

All lamps are changed into LED.

Utilise the intelligent power system in both office and construction site. Place round-the-clock watch on turning off lights when room is empty.

2. Lower Carbon Emissions namely CO2 emission density per ton by 30% in one decade

This target can be achieved by strengthening R&D to promote the building insulation material for the energy conservation and the reduction of emissions, as well as by insisting on shopping for products that have less packaging and a higher percentage of recycled materials.

3. Lowering the nitrogen oxides discharge level by 30% in one decade

The nitrogen oxides pollute the air, affect the surrounding air and do harm on the human health. And the measures to reduce nitrogen oxides emissions: upgrading the dust removal system, greening the environment, and switch to transport by electric cars to cut the tail gas.

4. Lowering the water consumption level by 30% in one decade

This target can be achieved through the sewage treatment and the water recycling.

As per the water consumption in office site, our water management focus on monitoring, analysing and controlling the water consumption and improve water-use efficiency.

The sewage produced in the project construction site includes domestic sewage and construction sewage.

Set up water treatment equipment on the construction site and part of the treated wastewater shall be recycled. Apply the rain acquisition device for water conservation.

And those cannot be recycled will be transported to the city sewage plant.

Green Construction

The Group strictly complies with the Regulation on Environmental Protections of Construction Project, implements the operating requirements of the environmental management system, formulates and implements safe and civilized construction management systems and inspection standards, strengthens the inspection management of engineering sites, monitors the effective implementation of safe and civilized construction measures, and minimizes the impact of construction on the natural environment.

In 2020, the main control points of the Group's managing the environmental implication of construction site are listed as below:

- Dust reduction: In the process of mixing or transporting and using the mortar bulk material, do not spill, leak, or leave, and there must be containers or pads in the place of use. If there are spills or leaks, clean up in time; earthwork, etc. Materials need to be covered; monitoring of dust at the construction site;
- Noise: Strictly manage the construction operation time; actively adopt low-noise machinery and equipment; set up mufflers and sound insulation enclosures for large-scale equipment;
- Waste: construction waste generated during construction is strictly prohibited to be thrown away and landfilled at will; temporary storage points are set up at appropriate locations, and containers such as woven bags for construction waste are regularly transported outside. Recyclable metal waste is recycled and reused. Ordinary construction waste is collected strictly in accordance with local cityscape management regulations. The small amount of chemical hazardous waste generated need to be cleared and handled by a qualified professional company to be compliance with the regulations;
- Energy saving and consumption reduction: strengthen the management and maintenance of electrical equipment, increase the power factor of electric power systems, and improve energy efficiency.

Green Office

The Group advocates a "low-carbon office" model, actively implements various energy-saving and consumption-reduction measures, encourages employees to conduct green environmental protection behaviors, eliminate waste, and is committed to creating a green operation model that is energy-saving and environmentally friendly.

In 2020, the Group's main practices in green office approach include:

- Strictly control the lighting time in the office area, turn off the lights and unnecessary air conditioning in time to reduce the waste of electricity;
- Strengthen equipment maintenance, extend equipment life and improve equipment efficiency;
- Promote green conferences and encourage remote conferences through telephone and video conferencing to reduce travel costs and to cut gas emission and greenhouse emissions from fuel use during travel;
- Promote paperless office, strengthen the OA system approval, and reduce the paper printing. According to statistics, during 2020, the group initiated a total of 44,671 processes, each of which saves approximately 2 pieces of paper, amounting to more than 90,000 pieces saving;
- Post signs in the prominent position of office: save paper, turn off the light when leaving, etc., and ask employees to do it accordingly;
- Strengthen the management of office supplies and reduce the consumption of office resources.

Actively comply with local government regulations on waste sorting and collection & transport waste to the designated garbage stations for unified treatment to avoid community environmental pollution caused by unprofessional and untimely treatment methods.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Confronting the climate change

The Company pays close attention to global climate variation trends and the impact on its business, actively implements energy conservation and emission reduction measures, invests in the clean energy and reduces its own greenhouse gas emissions.

The identified physical risks include flooding of the project construction site and power outages caused by typhoons and thunderstorms, that may lead to the suspension of projects and the failure of outdoor logistics to operate normally, affecting the timeliness of delivery of the project material and the price fluctuations in labor fee, due to the scheduled project labor being unable to be on duty; transition risks include the provinces or cities where the projects of the Company are located, takes a series of actions to mitigate global warming, which might change policies, laws, technology and market demand. This will bring varying degrees of policy and legal risks, technical risks, and supply chain risks to the Company.

The Group incorporates climate risk management into its risk management system, establishes the board governance structure, and a management and monitoring mechanism to continuously assess the physical and transition risks brought about by climate change.

To reduce the physical risks caused by climate variability, the Group will formulate a safety construction plan, reserve materials for project, plan and schedule project progress, and establish a work process in preparing for weather anomaly. The Company already constituted the emergency plan for natural disasters and other emergencies. For example, when a sudden natural disaster affects the company's carrying out the projects, the projects center will contact the project managers of the production site as soon as possible to understand the current situation and optimize the overall arrangement of projects according to the capacity and urgency. For situations that cannot meet the contract's requirements on work performed, the marketing department will communicate with parties A (construction party) to achieve an optimal solutions.

No.	KPI	unit	2020 Environment KPI		
			2020 Use/emission	2019 Use/emission	2018 Use/emission
A1.1 emission	Sulfur oxides	kilogram	0.35	0.38	0.33
	Hydrogen nitride	kilogram	185.93	16.41	15.59
	Particulates	kilogram	17.82	1.21	1.15
A1.2 greenhouse gas emission	Greenhouse gas emissions (Scope 1)	CO2 equivalent	67.17	70.14	61.65
	Greenhouse gas emissions (Scope 2)	CO2 equivalent	4,765.87	9,493.59	3,266.91
	Greenhouse gas emissions (Scope 1 + Scope 2)	CO2 equivalent	4,833.04	9,563.74	3,333.03
	Greenhouse gas emission intensity	CO2 equivalent/ RMB1,000 of benefit	0.01	0.01	0.01
A1.3 Hazardous waste	Waste drum unit	Tonnes	0.02	0.02	0.02
A1.4 Non-hazardous waste	Mental waste	Tonnes	78.0	78.3	357.18
	Construction waste	Tonnes	6,486.00	11,160.35	1,906.63
	Office waste	Tonnes	1.25	1.23	1.52
A2.1 Energy consumption	Direct energy Consumption	GJ	788.77	808.88	710.9
	Indirect energy consumption	GJ	17,157.14	38,241.63	13,177.88
	Total energy consumption	GJ	17,945.91	39,050.51	13,888.78
	Energy consumption intensity	GJ/RMB1,000 of revenue	0.02	0.03	0.09
	Electricity used	KWh	4,765,872.00	10,622,675.00	3,660,521.25
	Petrol	Liter	23,695.00	25,904.12	22,766.54
A2.2 Water resource usage	Water consumption	cubic meter	1,496,687.00	345,849.00	93,114.88
	Water consumption intensity	Cubic meter/ RMB1,000 of revenue	1.64	0.28	0.61

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Notes:

1. All the data in the above list generated during the period from 1 January 2020 to 31 December 2020. The environmental data collection scope includes the Group's headquarters office area and 146 projects under construction during 2020 (The income of 146 projects accounts for 80% of the Group's total revenue this year).
2. The atmospheric coefficients were accounted for with reference to the ESG Environmental Data Reporting Guidelines issued by Hong Kong Stock Exchange. In particular, the greenhouse gas emission factor of purchased electricity was accounted for with reference to the 2019 China Regional Grid Baseline Emission Factor (《2019中國區域電網基準線排放因數》) issued by the Chinese Ministry of Ecological Environment. Energy consumption coefficient were accounted for with reference to "GB2589-2008T General rules for comprehensive energy consumption calculation".
3. The Company's water resources mainly come from municipal water supply. There is no shortage of water supply.
4. The Company's major business activities do not involve using any packaging material. Indicator A2.5 is not applicable, hence it is not disclosed.

2020 social KPI

	2020	2019	2018
By age			
Below 30 years old	88	89	137
31-50 years old	163	179	188
Beyond 51 years old	55	57	43
By gender			
Male	186	203	234
Female	120	122	134
Annual turnover rate	5.85%	11.68%	4.12%
By education			
Degree or beyond degree	271	256	296
High school diploma or below	35	69	72
By geographical region			
Within Guangdong Province	222	231	246
Out of Guangdong Province	84	94	122
By type of employment			
Full time	306	325	368
Part time	0	0	0
Time of training per employee (hours)	10	12.4	11
Safety production input (RMB)	14,099,379.46	5,946,463.79	34,288,383.76
Major pollution/safety incidents	0	0	0
Work-related injury			
A — slight bodily injury	0	0	0
B — minor wound	0	0	0
C — serious injury	0	0	0
D — death	0	0	0
Cases of occupational hazards	0	0	0
Number of working days absented due to work-related injuries	0	0	0
Total person-time for training	741	845	529
Total hours of training (hours)	839	973	816
Attendance rate of employee training	100%	100%	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

	2020	2019	2018
Number of suppliers by Region	1,382	1,250	1,015
Number of suppliers within Guangdong Province	627	562	528
Number of suppliers outside Guangdong Province	755	688	487
Total customer complaints	0	0	0

Notes:

In addition, due to our business characteristics, KPI B6.1 (percentage of total products sold or shipped subject to recalls for safety and health reasons) and KPI B6.4 (description of quality assurance process and recall procedures) are not applicable, so they are not disclosed.

IX. RIGHTEOUSNESS BUILDS THE FUTURE TOGETHER

The Group is well aware of its corporate citizenship responsibilities, continues to participate in social welfare undertakings, is enthusiastically engaged in poverty alleviation, and is committed to the social responsibility and the notion of a harmonious society and the shared community.

On 7 February, 2020, with the view to support the national response to COVID-19, the Group made donations of RMB180,000 to "Protecting front line health workers operation" sponsored by Shenzhen Media Foundation. The donation was used to purchase protective products such as sterilization and antivirus materials which are urgently demanded by the frontline health workers to protect their health.



On 10 March and 18 June, 2020, the Group made donations of merchandise related to COVID-19 precautionary measures, equivalent to approximately RMB30,000.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2020

AUDIT REPORT

Xin Kuai Shi Bao Zi [2021] No. 10093

To the shareholders of Guangdong Adway Construction (Group) Holdings Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Guangdong Adway Construction (Group) Holdings Company Limited (hereinafter as "Adway"), which comprise the consolidated and the parent company's balance sheets as at 31st December 2020, the consolidated and the parent company's income statements, the consolidated and the parent company's cash flow statements, and the consolidated and the parent company's statements of changes in shareholders' equity for the year of 2020 then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and the parent company's financial position of Adway as at 31st December 2020 and of its consolidated and the parent company's operating results and cash flows for 2020.

II. BASIS OF AUDIT OPINION

We have conducted our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of Certified Public Accountants for Auditing of Financial Statements" in the audit report further illustrate our responsibilities under those standards. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of Adway and have performed other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

Key audit matters	How our audit addressed the Key Audit Matters
<p>(1) Revenue recognition</p> <p>Refer to the revenue on Note III(XXV). and operating revenue and operating cost on Note V(30), for the accounting policy of revenue recognition.</p> <p>The operating revenue of Adway are primarily generated from building decoration business. The operating revenue of Adway was amounted to RMB910,563.3 thousand for the year of 2020, among which, 96.83% or RMB881,676.8 thousand was generated from building decoration business. Revenue from the building decoration business of Adway are recognised using the percentage of completion method, measured by reference to the percentage of contract workload to date to the estimated total contract workload. The recognition of the contract workload to date involved the review of the customer or the third-party project supervisor. It gives rise to the difference on the scope of the work load, on the project price, and on the ways in handling the difference.</p> <p>We identified the recognition of revenue as a key audit matter due to the involvement of significant judgment and estimates by the Management in determining the expected revenue and the expected cost.</p>	<p>(1) Understood, evaluated and validated the controls over revenue recognition. Those controls included Management's review on the expected revenue of the contract and the budget cost as well as the revenue recognition based on the stage of completion of contracts.</p> <p>(2) Validated the expected revenue and the aggregated cost incurred as well as the relevant underlying construction contract and project budget cost documentary on a sample basis to evaluate the appropriateness and accuracy of the estimates made by the Management.</p> <p>(3) Performed analytical procedures on reviewing the conditions of the projects, and carried out the further test in details on the expected total revenue of the project, the percentage of the completion and gross margin on which there were the extraordinary issues, by the methods of enquiry, checking and confirmation etc.</p> <p>(4) Reviewed the contracts, on a sample basis, to recalculate the ratio determined by the actual cost divided by the total budget cost, verified the completed work load (image progress) with the contract-offering party (the customer) to identify whether the existing differences are reasonable.</p> <p>(5) Through sampling on the contracts, implemented the verification procedures in the construction site, through observation, enquiry and checking, to validate the image progress of the project.</p> <p>(6) Conducted the cut-off test to ensure the contract costs were recognized in the appropriate accounting period.</p>

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

Key audit matters

How our audit addressed the Key Audit Matters

(2) Provision for impairment of account receivables and contract assets

Refer to financial instruments on Note III(X) and contract assets Note III(XII), and account receivable on Note V(3) and contract assets on Note V(7), for the accounting policy of impairment of account receivable and contract assets,

As of December 31, 2020, the gross carrying balance of accounts receivable of Adway was RMB1,008,955.4 thousand and the carrying balance of impairment provision was RMB401,179.5 thousand. The net book value of account receivables was RMB607,775.8 thousand. The gross carrying balance of contract assets was RMB1,201,270.1 thousand, and the carrying balance of impairment provision was RMB238,771.1 thousand. The net book value of contract assets was RMB962,499.0 thousand.

By reference to the individual credit risk characteristics of account receivables and contract asset, either individually or collectively, the Management made impairment provisions in an amount equal to the lifetime expected credit loss. We identified the assessment of loss allowance on account receivables and contract assets as a key audit matter because the impairment assessments recognized based on the expected credit loss, involve a significant degree of judgment and estimates by the Management.

- (1) Understood, evaluated and validated the key internal control system in relation to the impairment of accounts receivable and contract assets.
- (2) Checked the subsequent actual write-off and reversal of the bad debt provisions for accounts receivable and contract assets made in the previous years, so as to evaluate the historical accuracy of the projections made by the Management;
- (3) Checked the relevant factors considered by the Management and the objective evidence used by the Management in assessing the credit risks of the accounts receivable and contract assets, so as to evaluate the appropriateness of the credit risk characteristics of individual accounts receivable as identified by the Management;
- (4) Examined the relevant documents on a sampling basis to check the accuracy of the aging profile of the account receivables.
- (5) Checked the collection of the accounts receivable subsequent to the reporting period to evaluate the reasonableness of the bad debt provisions for the accounts receivable made by the Management.
- (6) Evaluated the reasonableness of the grouping made by the Management in assessing and calculating the loss allowance, and made the comparison between the average industry provision rate and Adway's to ascertain that there is no Substantial deviation.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

IV. OTHER INFORMATION

The management of Adway (hereinafter as the "management") is responsible for the other information which comprises all the information in the annual report of Adway other than the financial statements and this auditor's report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In conjunction with our audit to the financial statements, our responsibility is to read the other information. During the process, we considered whether there is material inconsistency or there is likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND GOVERNING BODIES FOR THE FINANCIAL STATEMENTS

The management shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing the Adway's continuing operating capacity, disclosing matters relating to continuing operations (if applicable) and applying the continuing operating assumptions unless intends to liquidate, cease operations, or have no realistic alternative but to do.

The governing bodies are responsible for overseeing the financial reporting process of Adway.

VI. RESPONSIBILITIES OF CPA FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance of the financial statements as a whole whether there is a material misstatement due to fraud or error and to issue an audit report containing audit opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that audits carried out in accordance with the audit criteria will always be found in the presence of a material misstatement. Misstatements may be caused by fraud or error, and it is generally considered that the misstatement is material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also performed the following works:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understand the internal control related to the audit to design the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2020

- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Adway to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Adway to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the Adway in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provided a statement to management on compliance with ethical requirements related to independence and communicate with governance about all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions (if applicable).

From the matters we had discussed with the governing bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in tiny minority circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO China Shu Lun Pan
Certified Public Accountants LLP

Chinese Certified Public Accountant: Liang Qianhai
(Engagement Partner)

Shanghai • China

Chinese Certified Public Accountant: Ma Yue

30th March 2021

CONSOLIDATED BALANCE SHEET

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Assets	Note V	Closing balance	Closing balance at preceding year
Current assets			
Monetary capital	(1)	159,515,439.36	266,920,632.63
Settlement reserve			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Derivative assets			
Notes receivables	(2)	22,755,118.74	20,549,952.88
Accounts receivables	(3)	607,775,832.17	1,234,453,872.65
Receivables financing			
Prepayment	(4)	208,152,663.59	97,735,717.99
Premium receivables			
Reinsurance premium receivables			
Reserves for reinsurance contract receivables			
Other receivables	(5)	24,012,973.96	50,929,790.49
Financial assets acquired for resale			
Inventories	(6)		1,684,387.00
Contract assets	(7)	962,499,032.68	1,001,192,865.76
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,984,711,060.50	2,673,467,219.40
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments			
Other equity investments			
Other non-current financial assets			
Investment property	(8)	645,450.65	688,902.05
Fixed assets	(9)	54,495,287.80	58,352,338.58
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right of use assets	(10)	1,509,667.71	1,962,221.00
Intangible assets	(11)	9,112,081.29	11,140,073.64
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	(12)	100,327,045.56	35,945,453.86
Other non-current assets	(13)	1,952,628.77	2,961,601.00
Total non-current assets		168,042,161.78	111,050,590.13
Total assets		2,152,753,222.28	2,784,517,809.53

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED BALANCE SHEET (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note V	Closing balance	Closing balance at preceding year
Current liabilities:			
Short-term borrowings	(14)	364,250,000.00	401,928,000.00
Borrowing from central bank			
Placement from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payables	(15)	55,000,000.00	103,500,000.00
Accounts payable	(16)	512,328,088.59	688,442,191.77
Advanced received			
Contract liability	(17)	123,622,941.35	113,118,348.52
Securities sold under repurchase agreement			
Deposit taking and interbank deposit			
Securities brokering			
Securities underwriting			
Staff remuneration payable	(18)	8,561,963.77	10,590,203.87
Tax payable	(19)	96,973,349.96	152,140,933.00
Other payable	(20)	13,743,687.75	13,121,804.72
Handling fee and commissions payable			
Reinsurance amount payable			
Liabilities held for sale			
Non-current liabilities due within in one year	(21)		15,229,807.21
Other current liabilities	(22)	25,110,653.30	4,555,097.76
Total current liabilities		1,199,590,684.72	1,502,626,386.85
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities	(23)	1,477,088.01	1,973,318.00
Long-term payables			
Long-term employee benefits payable			
Estimate liabilities			
Deferred income	(24)	1,556,925.51	1,629,340.71
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,034,013.52	3,602,658.71
Total liabilities		1,202,624,698.24	1,506,229,045.56

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED BALANCE SHEET (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	<i>Note V</i>	Closing balance	Closing balance at preceding year
Owners' equity:			
Share capital	(25)	240,930,645.00	240,930,645.00
Other equity instruments Including: preferred stock Perpetual bond			
Capital reserve	(26)	323,069,734.88	323,069,734.88
Less: Treasury stock			
Other comprehensive income			
Special reserve	(27)	28,479,818.00	24,891,891.10
Surplus reserve	(28)	80,126,247.00	80,126,247.00
General risk reserve			
Undistributed profit	(29)	277,522,079.16	609,270,245.99
Equity attributable to owners		950,128,524.04	1,278,288,763.97
Minority interest			
Total owners' equity		950,128,524.04	1,278,288,763.97
Total liabilities and owners' equity		2,152,753,222.28	2,784,517,809.53

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY BALANCE SHEET

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Assets	Note XII	Closing balance	Closing balance at preceding year
Current assets:			
Monetary capital		159,332,077.35	266,695,521.35
Held-for-trading financial assets			
Derivative assets			
Notes receivables	(1)	22,755,118.74	20,549,952.88
Accounts receivables	(2)	607,775,832.17	1,234,453,872.65
Receivables financing			
Prepayment		208,152,663.59	97,735,717.99
Other receivables	(3)	35,844,377.50	62,771,849.98
Inventories			1,684,387.00
Contract assets		962,499,032.18	1,001,192,865.76
Assets held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,996,359,101.53	2,685,084,167.61
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(4)	10,171,815.64	10,335,250.35
Other equity investments			
Other non-current financial assets			
Investment property		645,450.65	688,902.05
Fixed assets		53,995,321.78	57,816,872.00
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right of use assets		1,509,667.71	1,962,221.00
Intangible assets		37,009.45	1,779,172.72
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		100,327,045.56	35,945,453.86
Other non-current assets		1,952,628.77	2,961,601.00
Total non-current assets		168,638,939.56	111,489,472.98
Total assets		2,164,998,041.09	2,796,573,640.59

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY BALANCE SHEET (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Total liabilities and owners' equity	Note	Closing balance	Closing balance at preceding year
Current liabilities:			
Short-term borrowings		364,250,000.00	401,928,000.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payables		55,000,000.00	103,500,000.00
Accounts payable		512,328,088.59	688,442,191.77
Advanced received			
Contract liability		123,622,941.35	113,118,348.52
Staff remuneration payable		8,549,963.77	10,577,983.87
Tax payable		96,972,628.96	152,140,212.00
Other payable		22,909,010.50	22,433,097.31
Liabilities held for sale			
Non-current liabilities due within in one year			15,229,807.21
Other current liabilities		25,110,653.30	4,555,097.76
Total current liabilities		1,208,743,286.47	1,511,924,738.44
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities		1,477,088.01	1,973,318.00
Long-term payables			
Long-term employee benefits payable			
Estimate liabilities			
Deferred income		1,556,925.51	1,629,340.71
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,034,013.52	3,602,658.71
Total liabilities		1,211,777,299.99	1,515,527,397.15
Owners' equity:			
Share capital		240,930,645.00	240,930,645.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserve		323,049,734.88	323,049,734.88
Less: Treasury stock			
Other comprehensive income			
Special reserve		28,479,818.00	24,891,891.10
Surplus reserve		80,133,123.00	80,133,123.00
Undistributed profit		280,627,420.22	612,040,849.46
Total owners' equity		953,220,741.10	1,281,046,243.44
Total liabilities and owners' equity		2,164,998,041.09	2,796,573,640.59

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V	Amount of the Current Period	Amount of the Preceding Period
I. Total operating revenue		910,563,337.49	1,543,038,717.64
Including: Operating income	(30)	910,563,337.49	1,543,038,717.64
Interest income			
Premium earned			
Handling fee and commissions income			
II. Total operating cost		884,046,793.45	1,440,017,989.27
Including: Operating cost	(30)	758,687,820.28	1,296,611,277.76
Interest expenses			
Handling fee and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance contract reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	(31)	3,614,981.92	3,901,051.98
Selling expenses	(32)	12,830,327.70	10,270,914.59
Administrative expenses	(33)	36,574,370.67	39,264,316.82
Research and development expenses	(34)	46,031,307.70	63,501,033.98
Finance expenses	(35)	26,307,985.18	26,469,394.14
Including: Interest expenses		25,615,997.77	27,221,364.47
Interest income		-431,636.15	-1,258,165.10
Add: Other incomes	(36)	5,107,423.15	5,770,121.31
Investment income ("-" for losses)	(37)	226,051.27	84,575.33
Including: Investment incomes from associates and joint ventures			
Revenue from derecognition of financial assets measured at amortised cost			
Foreign exchange gains (or less: losses)			
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for losses)			
Credit impairment losses ("-" for losses)	(38)	-236,954,296.82	-109,579,671.27
Impairment losses on assets ("-" for losses)	(39)	-194,379,480.50	49,040,953.73
Gains on disposal of assets ("-" for losses)	(40)		1,500,917.59
III. Operating profit ("-" for losses)		-399,483,758.86	49,837,625.06
Add: Non-operating income	(41)	6,473,111.54	93,665.81
Less: Non-operating expenses	(42)	2,513,675.05	257,652.99
IV. Profit before tax ("-" for losses)		-395,524,322.37	49,673,637.88
Less: Income tax expenses	(43)	-63,776,155.54	3,369,254.97
V. Net profit ("-" for losses)		-331,748,166.83	46,304,382.91
(I) Classification of continuity of business operation			
1. Net profit from continuing operations ("-" for losses)		-331,748,166.83	46,304,382.91
2. Net profit from discontinued operations ("-" for losses)			
(II) Classification of ownership			
1. Net income attributable to parent company owners		-331,748,166.83	46,304,382.91
2. Net income attributable to minority shareholders			

CONSOLIDATED INCOME STATEMENT (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V	Amount of the Current Period	Amount of the Preceding Period
VI. Other comprehensive income after tax			
Other comprehensive income after tax attributable to parent company owners			
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Other comprehensive income cannot be reclassified to profit and loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Fair value changes in enterprise's own credit risk			
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Gains from changes in fair values (less losses) on other debt investment			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Profit or loss on cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
Other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		-331,748,166.83	46,304,382.91
Total comprehensive income attributed to parent company owners		-331,748,166.83	46,304,382.91
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I). Basic earnings per share (RMB/share)	(44)	-1.38	0.20
(II). Diluted earnings per share (RMB/share)	(44)	-1.38	0.20

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY INCOME STATEMENT

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note XII	Amount of the Current Period	Amount of the Preceding Period
1. Operating revenue	(5)	910,563,337.49	1,543,038,717.64
Less: Operating cost	(5)	758,687,820.28	1,296,611,277.76
Taxes and surcharges		3,595,278.79	3,901,051.98
Selling expenses		12,830,327.70	10,270,914.59
Administrative expenses		36,099,796.33	38,738,889.24
Research and development expenses		46,031,307.70	63,501,033.98
Financial expenses		26,303,730.87	26,467,512.16
Including: Interest expenses		25,615,997.77	27,221,364.47
Interest income		-430,254.34	-1,255,248.07
Add: Other income		5,107,063.67	5,770,121.31
Investment income ("-" for losses)	(6)	226,051.27	84,575.33
Including: Investment income from associates and joint ventures			
Revenue from derecognised financial assets			
Net exposure hedging ("-" for losses)			
Gain from fair value changes ("-" for losses)			
Credit impairment losses ("-" for losses)		-236,954,296.82	-109,579,671.27
Impairment losses on asset ("-" for losses)		-194,542,915.21	48,871,772.08
Gain on disposal of assets ("-" for losses)			1,500,917.59
2. Operating profit ("-" for losses)		-399,149,021.27	50,195,752.97
Add: non-operating profit		6,473,111.54	93,380.64
Less: non-operating expenses		2,513,675.05	257,652.99
3. Profit before tax ("-" for losses)		-395,189,584.78	50,031,480.62
Less: income tax expenses		-63,776,155.54	3,369,254.97
4. Net profit ("-" for losses)		-331,413,429.24	46,662,225.65
(I) Net profit from continuing operations ("-" for losses)		-331,413,429.24	46,662,225.65
(II) Net profit from discontinued operations ("-" for losses)			

PARENT COMPANY INCOME STATEMENT (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note XII	Amount of the Current Period	Amount of the Preceding Period
5. Other comprehensive income after tax			
(1) Other comprehensive income which cannot be reclassified to profit or loss			
1. Changes in remeasurement on the net defined benefit plans			
2. Other comprehensive income which cannot be reclassified to profit and loss under equity method			
3. Changes in fair values of other equity instrument investment			
4. Changes in fair values of enterprise's own credit risk			
(2) Other comprehensive income which will be reclassified to profit and loss			
1. Other comprehensive income which can be reclassified to profit and loss under equity method			
2. Changes in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Impairment provision			
5. Reserve for cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
6. Total comprehensive income		-331,413,429.24	46,662,225.65
7. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V	Amount of the Current Period	Amount of the Preceding Period
1. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		1,234,497,656.32	1,503,100,229.03
Net increase in customer deposits and deposits			
Net increase in borrowings from the central bank			
Net increase in borrowings from other financial institutions			
Cash received from premium of primary insurance contract			
Net cash received from reinsurance business			
Net increase in deposit and investment of the insured			
Net Cash received from interest, handling charge and commission			
Net increase in borrowed funds			
Net increase of returned business capital			
Net cash received on behalf of brokerage customers			
Refunds of taxes			
Other cash receipts relating to operating activities	(45)	139,883,047.85	268,794,205.72
Sub-total of cash inflows from operating activities		1,374,380,704.17	1,771,894,434.75
Cash paid for goods and services		1,177,507,935.18	1,346,476,013.76
Net increase in customer loans and advances for customer			
Net increase in deposits with the central bank and other banks			
Cash paid for indemnity under the original insurance contract			
Net increase in lending funds			
Cash paid for interest, handling charge and commission			
Cash paid for policy dividend			
Cash paid to and for employees		30,372,233.38	28,305,665.01
Tax paid		32,280,971.22	52,047,825.90
Other cash payment related to operating activities	(45)	140,899,099.20	363,351,719.11
Sub-total of cash outflows from operating activities		1,381,060,238.98	1,790,181,223.78
Net Cash Flows from operating Activities		-6,679,534.81	-18,286,789.03
2. Cash Flows from Investing Activities:			
Cash received from recovery of investments		80,000,000.00	45,000,000.00
Cash received from return on investments		239,614.34	84,575.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			13,420,300.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities			
Sub-total of cash inflows from investing activities		80,239,614.34	58,504,875.33
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		105,534.96	462,100.62
Cash paid for investment		80,000,000.00	45,000,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payment related to investment activities			
Sub-total of cash outflows from activities		80,105,534.96	45,462,100.62
Net Cash Flows from Investing Activities		134,079.38	13,042,774.71

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note V	Amount of the Current Period	Amount of the Preceding Period
3. Cash Flows from Financing Activities:			
Cash received from absorbing investments Including: cash received from minority shareholders' investment in subsidiaries			123,260,000.00
Cash received from borrowings		385,732,600.00	545,621,027.60
Other cash receipts relating to financing activities		385,732,600.00	668,881,027.60
Sub-total of cash inflows from financing activities		475,119,533.68	557,914,100.39
Cash paid for repayment of borrowings		23,518,684.10	24,277,076.77
Cash paid for distribution of dividends, profits or payment or interest Including: payments for distribution of dividends or profit to minorities of subsidiaries			
Other cash payments relating to financing activities	(45)	24,536,805.91	6,910,982.03
Sub-total of cash outflows from financing activities		523,175,023.69	589,102,159.19
Net Cash Flows from Financing Activities		-137,442,423.69	79,778,868.41
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-1,898.90	-2,851.04
5. Net Increase in Cash and Cash Equivalents		-143,989,778.02	74,532,003.05
Add: Opening balance of Cash and Cash Equivalents		254,590,543.34	180,058,540.29
6. Closing Balance of Cash and Cash Equivalents		110,600,765.32	254,590,543.34

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY CASH FLOW STATEMENT

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note	Amount of the Current Period	Amount of the Preceding Period
1. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of service		1,234,497,656.32	1,503,100,229.03
Refunds of taxes			
Other cash receipts relating to operating activities		171,671,594.05	301,300,264.79
Sub-total of cash inflows from operating activities		1,406,169,250.37	1,804,400,493.82
Cash paid for goods and services		1,177,507,935.18	1,346,476,013.76
Cash paid to and for employees		30,346,167.20	28,267,484.49
Taxes paid		32,261,268.09	52,028,122.77
Other cash payment related to operating activities		172,692,706.46	395,962,151.84
Sub-total of cash outflows from operating activities		1,412,808,076.93	1,822,733,772.86
Net Cash Flows from Investing Activities		-6,638,826.56	-18,333,279.04
2. Cash Flows from Investing Activities:			
Cash received from recovery of investments		80,000,000.00	45,000,000.00
Cash received from return on investments		239,614.34	84,575.33
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			13,420,300.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investment activities			
Sub-total of cash inflows from investing activities		80,239,614.34	58,504,875.33
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		105,534.96	462,100.62
Cash paid for investment		80,000,000.00	45,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payment related to investment activities			
Sub-total of cash outflows from investing activities		80,105,534.96	45,462,100.62
Net Cash Flows from Investing Activities		134,079.38	13,042,774.71
3. Cash Flows from Financing Activities:			
Cash received from absorbing investments			123,260,000.00
Cash received from borrowings		385,732,600.00	545,621,027.60
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		385,732,600.00	668,881,027.60
Cash paid for repayment of borrowings		475,119,533.68	557,914,100.39
Cash paid for distribution of dividends, profits or payment or interest		23,518,684.10	24,277,076.77
Other cash payments relating to financing activities		24,536,805.91	6,910,982.03
Sub-total of cash outflows from financing activities		523,175,023.69	589,102,159.19
Net Cash Flows from Financing Activities		-137,442,423.69	79,778,868.41
4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-857.88	-3,391.02
5. Net Increase in Cash and Cash Equivalents		-143,948,028.75	74,484,973.06
Add: Opening balance of Cash and Cash Equivalents		254,365,432.06	179,880,459.00
6. Closing Balance of Cash and Cash Equivalents		110,417,403.31	254,365,432.06

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Current Period														
	Equity attributable to parent company													Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total			
Preference Shares		Perpetual bond	Others												
1. Closing balance at preceding year	240,930,645.00				323,069,734.88			24,891,891.10	80,126,247.00		609,270,245.99	1,278,288,763.97		1,278,288,763.97	
Add: Changes in accounting policies															
Correction of error of prior period															
Business combination involving entities under common control															
Other															
2. Balance at the beginning of current year	240,930,645.00				323,069,734.88			24,891,891.10	80,126,247.00		609,270,245.99	1,278,288,763.97		1,278,288,763.97	
3. Current period increase (or less: decrease)								3,587,926.90			-331,748,166.83	-328,160,239.93		-328,160,239.93	
(1) Total comprehensive income											-331,748,166.83	-331,748,166.83		-331,748,166.83	
(2) Capital contributed or withdrew by owners															
1. Ordinary shares contributed by owners															
2. Capital contributed by owners of other equity instruments															
3. Amount of share-based payment included															
4. Other															
(3) Profit distribution															
1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners (or shareholders)															
4. Others															
(4) Internal carry-over within equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover losses															
4. Defined benefit plan changes carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(5) Appropriation and application of special reserve								3,587,926.90				3,587,926.90		3,587,926.90	
1. Appropriation of special reserve								17,688,006.36				17,688,006.36		17,688,006.36	
2. Application of special reserve								14,100,079.46				14,100,079.46		14,100,079.46	
(6) Others															
4. Balance at the end of current year	240,930,645.00				323,069,734.88			28,479,818.00	80,126,247.00		277,522,079.16	950,128,524.04		950,128,524.04	

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Preceding Period												Minority interests	Total owners' equity
	Equity attributable to parent company													
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total		
	Preference Shares	Perpetual bond	Others											
1. Closing balance at preceding year	221,050,000.00				219,690,379.88			424,833.39	75,460,024.97		567,632,085.11	1,084,257,323.35		1,084,257,323.35
Add: Changes in accounting policies														
Correction for errors of prior period														
Business combination involving entities under common control														
Other														
2. Balance at the beginning of current year	221,050,000.00				219,690,379.88			424,833.39	75,460,024.97		567,632,085.11	1,084,257,323.35		1,084,257,323.35
3. Current period increase (or less: decrease)	19,880,645.00				103,379,355.00			24,467,057.71	4,666,222.03		41,638,160.88	194,031,440.62		194,031,440.62
(1) Total comprehensive income											46,304,382.91	46,304,382.91		46,304,382.91
(2) Capital contributed or withdrew by owners	19,880,645.00				103,379,355.00							123,260,000.00		123,260,000.00
1. Ordinary shares contributed by owners	19,880,645.00				103,379,355.00							123,260,000.00		123,260,000.00
2. Capital contributed by owners of other equity instruments														
3. Amount of share-based payment included														
4. Other														
(3) Profit distribution									4,666,222.03		-4,666,222.03			
1. Appropriation of surplus reserve									4,666,222.03		-4,666,222.03			
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners (shareholders)														
4. Others														
(4) Internal carry-over within equity														
1. Transfer of capital reserve to capital (or share capital)														
2. Transfer of surplus reserve to capital (or share capital)														
3. Surplus reserve to cover losses														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(5) Appropriation and application of special reserve								24,467,057.71				24,467,057.71		24,467,057.71
1. Appropriation of special reserve								30,413,521.50				30,413,521.50		30,413,521.50
2. Application of special reserve								5,946,463.79				5,946,463.79		5,946,463.79
(6) Others														
4. Balance at the end of current year	240,930,645.00				323,069,734.88			24,891,891.10	80,126,247.00		609,270,245.99	1,278,288,763.97		1,278,288,763.97

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Current Period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	Undistributed profit	Total
		Preference Shares	Perpetual bond	Others							
1. Balance at preceding year	240,930,645.00				323,049,734.88			24,891,891.10	80,133,123.00	612,040,849.46	1,281,046,243.44
Add: Changes in accounting policies											
Correction for errors of prior period											
Other											
2. Balance the beginning of the current year	240,930,645.00				323,049,734.88			24,891,891.10	80,133,123.00	612,040,849.46	1,281,046,243.44
3. Current period increase (or less: decrease)								3,587,926.90		-331,413,429.24	-327,825,502.34
(1) Total comprehensive income										-331,413,429.24	-331,413,429.24
(2) Capital contributed or withdrew by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included											
4. Other											
(3) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners (shareholders)											
3. Other											
(4) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Defined benefit plan changes carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Other											
(5) Appropriation and application of special reserve								3,587,926.90			3,587,926.90
1. Appropriation of special reserve								17,688,006.36			17,688,006.36
2. Application of special reserve								14,100,079.46			14,100,079.46
(6) Other											
4. Closing balance	240,930,645.00				323,049,734.88			28,479,818.00	80,133,123.00	280,627,420.22	953,220,741.10

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

PARENT COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY (Continued)

For the year ended 31st December 2020 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Current Period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive	Special reserve	Surplus reserve	Undistributed profit	Total
		Preference Shares	Perpetual bond	Others							
1. balance at preceding year	221,050,000.00				219,670,379.88			424,833.39	75,460,024.97	570,051,721.84	1,086,656,960.08
Add: Changes in accounting policies											
Correction for errors of prior period											
Other											
2. balance the beginning of the current year	221,050,000.00				219,670,379.88			424,833.39	75,460,024.97	570,051,721.84	1,086,656,960.08
3. Current period increase (or less: decrease)	19,880,645.00				103,379,355.00			24,467,057.71	4,673,098.03	41,989,127.62	194,289,283.36
(1) Total comprehensive income										46,662,225.65	46,662,225.65
(2) Capital contributed or withdrew by owners	19,880,645.00				103,379,355.00						123,260,000.00
1. Ordinary shares contributed by owners	19,880,645.00				103,379,355.00						123,260,000.00
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included											
4. Other											
(3) Profit distribution									4,673,098.03	-4,673,098.03	
1. Appropriation of surplus reserve									4,673,098.03	-4,673,098.03	
2. Appropriation of profit to owners (shareholders)											
3. Other											
(4) Internal carry-over within equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover losses											
4. Defined benefit plan changes carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Other											
(5) Appropriation and application of special reserve								24,467,057.71			24,467,057.71
1. Appropriation of special reserve								30,413,521.50			30,413,521.50
2. Application of special reserve								5,946,463.79			5,946,463.79
(6) Other											
4. Closing balance	240,930,645.00				323,049,734.88			24,891,891.10	80,133,123.00	612,040,849.46	1,281,046,243.44

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:
Mr. Ye Yujing

Financial controller:
Mr. Zhang Zhiqin

Head of the financial department:
Ms. Chen Yan

NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

I. INFORMATION ABOUT THE COMPANY

(I) Company profile

Guangdong Adway Construction (Group) Holdings Company Limited (the “Company”) was established under the name of Guangdong Yahe Decoration Construction Company Limited (廣東雅和裝飾工程有限公司) in the People’s Republic of China (the “PRC”) on 18 December 1996. On 3 December 2007, upon the resolution of the meeting of the shareholders, the Company was fully converted into a joint stock company with limited liability in compliance with Company Law. The Company became listed on Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016. The registered capital of the company was RMB240,930.6 thousand. As of 31 December 2020, the share capital of the company is RMB240,930.6 thousand.

Unified social credit code: 91440300617421139M.

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

The Company’s scope of business includes Grade I Professional Contractor Of Building Renovation and Decoration Engineering, Grade I Professional Contractor of Curtain Wall Engineering, Grade I Professional Contractor Of Fire Safety Equipment Engineering, Grade I Professional Contractor of Building Intelligent Engineering, Grade II Professional Contractor of Steel Structure Engineering, Grade III General Contractor of Municipal Engineering, Grade III General Contractor of Construction Engineering, Grade A Professional Building Decoration Engineering and Design, Grade A Professional Curtain Wall Engineering and Design, Grade B Professional Fire Safety Equipment Engineering and Design, design, installation and maintenance of security prevention systems (the aforesaid scopes of business shall not operate prior to obtaining qualification certificate); development and application in computer software and hardware product technology, intelligence engineering system, solar energy construction technology, energy-saving product technology, fire and security equipment technology, green environmental friendly materials, and construction intelligence products, development, production, manufacture, application and sale of construction and decoration materials, mechanical and electrical equipment, fire safety equipment, environmental-friendly filtration system; sale of air conditioner; consulting service on design, engineering and advertising; design, installation and management of the clean(ultra-clean)engineering projects; lease of self-owned properties; operation of medical equipment business and production of medical equipment.

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

The financial statements has been approved by the Board of the Company.

(II) Scope of consolidated financial statements

As of 31 December 2020, the subsidiaries in the company scope of consolidated financial statements are as follows:

Name of companies

Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Huidong Yip’s Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Constructional Engineering Design (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

For the relevant information about the subsidiaries of the Company, please refer to the Note VI. Interests in other entities.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Preparation of basis

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

(II) Going concern

For at least 12 months since the end of the reporting period, the Company's has ability to continue as a going concern and there's no significant risk affecting its ability to continue as a going concern. The financial statements are based on going concern.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting both consolidated and the parent company's financial position as at 31 December 2020, and both consolidated and the parent company's operating results and cash flows for the year 2020 on a true and complete basis.

(II) Accounting period

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

(III) Operating cycle

The Company takes 12 months as its operating cycle.

(IV) Functional currency

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

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

Business combinations under common control: The assets and liabilities acquired by acquirer through business combination shall be measured at the carrying value of the assets, liabilities (including goodwill arising from the acquisition of the acquiree by controlling party) of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

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

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

(VI) Preparation method of consolidated financial statements

1. Scope of consolidation

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

2. Consolidation procedures

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on the consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

Owners' equity, net profit or loss of the current period and comprehensive income attributable to minority shareholders of the current period of subsidiaries are stated separately under owners' equity in the consolidated balance sheet, net profit in the consolidated income statement and total comprehensive income respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

(1) Addition of subsidiary or business

During the reporting period, if there is an addition of subsidiary or business due to business combination under common control, the operating results and cash flow of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated financial statements, and the amounts at the beginning of the period in the consolidated financial statements and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

Where control over the investee under common control is obtained due to reasons such as increase in investments, for equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

During the reporting period, if there is an addition of subsidiary or business due to business combination not under common control, it shall be included, from the date of purchase, in the consolidated financial statements based on the fair value of each of the identifiable assets, liabilities or contingent liabilities determined on the date of purchase.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(1) Addition of subsidiary or business (Continued)

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity interest in the acquiree held before the date of purchase are transferred to investment gains of the period to which the date of purchase belongs.

(2) Disposal of subsidiary

① General treatment for disposal

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company re-measures the remaining equity investment after the disposal at fair value as at the date on which control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity interest and the sum of the net assets of the subsidiary proportionate to the original shareholding accumulated from the date of purchase or combination and goodwill is included in investment gains of the period during which the control is lost. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity investment in the original subsidiary are transferred to investment gains of the period during which the control is lost.

② Stepwise disposal of subsidiary

In respect of stepwise disposal of equity investment in a subsidiary through multiple transactions until control is lost, if the terms, conditions and economic effects of the transactions of equity investment in the subsidiary satisfy one or more of the following conditions, the transactions are normally accounted for as a package of transactions:

- i. these transactions are entered into simultaneously or after considering the effects of each other;
- ii. these transactions constitute a complete commercial result as a whole;
- iii. one transaction is conditional upon at least one of the other transaction;
- iv. one transaction is not economical on its own but is economical when considering together with other transactions.

Where the transactions constitute a package of transactions, the Company accounts for the transactions as a transaction of disposal of a subsidiary resulting in the loss of control; the difference between the amount received each time for disposal before control is lost and the net assets of such subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and upon loss of control, is transferred to profit or loss of the period during which control is lost.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(VI) Preparation method of consolidated financial statements (Continued)

2. Consolidation procedures (Continued)

(2) Disposal of subsidiary (Continued)

② Stepwise disposal of subsidiary (Continued)

Where the transactions do not constitute a package of transactions, before the loss of control, the transactions are accounted for based on partial disposal of equity investment in a subsidiary that does not involve loss of control; when control is lost, they are accounted for using the general method for disposal of subsidiaries.

(3) Purchase of minority interests in subsidiary

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests and the share of net assets of the subsidiary that the Company is entitled to calculated according to the new shareholding accumulated from the date of purchase or date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

(4) Partial disposal of equity investment in subsidiary without loss of control

For the difference between the consideration received from disposal and the net assets of the subsidiary that the Company is entitled to corresponding to the long-term equity investment disposed accumulated from the date of purchase or date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

(VII) Classification of joint arrangements and accounting treatment for joint operations

Joint arrangements can be classified into joint operations and joint ventures.

Joint operations represent the joint arrangement that a party to a joint arrangement has rights to the assets, and obligations for the liabilities, relating to such arrangement.

The Company recognises the following items in relation to its share of benefits in joint operations:

- (1) the assets held solely by the Company and those jointly held on a prorata basis;
- (2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Company;
- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(VIII) Recognition standard for cash and cash equivalents

Cash represents the Company's cash on hand and deposits that can be used readily for payments. Cash equivalents represent investments that satisfy four conditions, namely short-term, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

(IX) Foreign currency transactions and translation of financial statements denominated in foreign currency

1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot Exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated Using the spot exchange rate at the balance sheet date. The resulting Exchange difference are recognised in profit or loss for the current Period, except for those differences related to a specific-purpose Borrowing denominated in foreign currency for acquisitions and Construction of the qualified assets, which should be capitalised as cost Of the borrowings.

2. Translation of financial statements denominated in foreign Currency

For the translation of financial statements of foreign operation Denominated in foreign currency, the assets and liabilities in the Balance sheets are translated at the spot exchange rates on the balance Sheet date; except for "Retained earnings" items, all items under Owner's equity are translated at the spot exchange rates when incurred. The income and expense items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of foreign operations, exchange differences in financial Statements denominated in foreign currencies related to the foreign Operation shall be transferred from owner's equity items to profit or Loss to profit or loss from disposal for the current period.

(X) Financial Instruments

One of the financial asset, financial liabilities or equity instrument is recognized when the Company becomes a party to the contract of the financial instruments.

1. Classification of financial instruments

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortized cost, or financial assets measured at fair value through other comprehensive income, or other financial assets that are measured at fair value through current profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(X) Financial Instruments (Continued)

1. Classification of financial instruments (Continued)

The Company shall classify financial assets that meet the following Conditions and are not designated as financial assets at fair value Through current profit or loss as financial assets measured at amortized Cost:

- The objective of the business model is to collect contractual cash Flows;
- The contractual cash flows are solely payment of the principal and The interest based on the outstanding principal amount.

The Company shall classify financial assets that meet the following Conditions and are not designated as financial assets at fair value Through current profit or loss as financial assets (debt instruments) Measured at fair value through other comprehensive income:

- The objective of the business model for managing such financial Assets is both to collect contractual cash flows and to dispose of The financial assets;
- The contractual cash flows are solely payment of the principal and The interest based on the outstanding principal amount.

For an investment in equity instruments not held for trading purposes, The Company may irrevocably designate it as financial assets (debt Instruments) measured at fair value through other comprehensive Income at the initial recognition. This designation is made on an Investment-by-investment basis and the relevant investment meets the Definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortized cost or Fair value through other comprehensive income as described above are Measured at fair value through current profit or loss.

On initial recognition, the Company may irrevocably designate a Financial asset that otherwise meets the requirements to be measured At amortized cost or at fair value through other comprehensive income.

As at fair value through current profit or loss if doing so eliminates or Significantly reduces an accounting mismatch that would otherwise arise Financial liabilities, at initial recognition, are classified into financial liabilities at fair value through current profit or loss and financial liabilities measured at amortized cost.

When meeting any of the following criteria, the Company may, at initial recognition, designate a financial liability as measured at fair value through current profit or loss:

- (1) Such designation would eliminate or significantly reduce a measurement or recognition inconsistency.
- (2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- (3) The financial liabilities include embedded derivatives which can be split separately.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial Instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost, including notes receivable and accounts receivable, other receivables, long-term receivables, and debt investments, are initially measured at fair value plus relevant transaction costs. Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated under the effective interest method during the period of holding is included in current profit or loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in current profit or loss.

(2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income, including financing receivables and other debt investments, are initially measured at fair value plus relevant transaction costs. These financial assets are subsequently measured at fair value, with changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method.

On derecognition, the accumulated gain or loss previously recognized in other comprehensive income is transferred out from other comprehensive income and recognized in current profit or loss.

(3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured by fair value through other comprehensive income, including other equity instruments, are initially measured at fair value plus relevant transaction costs, and subsequently measured at fair value through other comprehensive income. The dividends received are included in current profit or loss.

When derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings.

(4) Financial assets at fair value through current profit or loss

Financial assets measured at fair value through current profit or loss, including held-for-trading financial assets, derivative financial assets and other non-current financial assets, are initially measured at fair value with relevant transaction costs included in current profit or loss. Such financial assets are subsequently measured at fair value and subsequently measured at fair value through current profit or loss.

(5) Financial liabilities measured at fair value through current profit or loss

Financial liabilities measured at fair value through current profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value with relevant transaction costs recognized in current profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value are recognized in current profit or loss.

On derecognition, the difference between the carrying amount and the consideration paid is recognized in current profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial Instruments (Continued)

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term loans, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value plus relevant transaction costs.

Interest calculated under the effective interest method during the period of holding is included in current profit or loss.

On derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in current profit or loss.

3. Derecognition of financial asset and financial asset transfers

The Company derecognize a financial asset if it meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire;
- the financial asset has been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, but did not retain its control over the said financial assets.

When transferring a financial asset, if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such asset.

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied.

The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two included in current profit or loss:

- (1) the book value of the financial asset transferred;
- (2) the sum of the consideration received from the transfer and the total amount of the fair value changes that is directly charged or credited to owners' equity (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(X) Financial Instruments (Continued)

3. Derecognition of financial asset and financial asset transfers (Continued)

When the partial transfer of a financial asset meets the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognized and the part to be recognized based on their respective fair value, with the difference between the following two included in current profit or loss:

- (1) The book value of the part that is derecognized;
- (2) The sum of the consideration attributable to the part derecognized and the total amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognized (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the criteria for derecognition, the financial asset shall continue to be recognized and the consideration received is recognized as a financial liability.

4. Derecognition of financial liabilities

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be derecognized; if the Company signs an agreement with the creditor to replace the existing financial liability with new financial liability of substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

If substantial changes are made to the contractual terms (in whole or in part) of the existing financial liability, the existing financial liability (or part of it) shall be derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the book value of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

If the Company repurchases part of a financial liability, the book value of the entire financial liability is allocated between the part that continues to be recognized and the part that is derecognized on the repurchase date based on their respective relative fair value. The difference between the book value assigned to the part derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

5. Determination of fair value of financial assets and financial liabilities

As for financial instruments with an active market, their fair values are determined by quoted prices in the active market. As for financial instruments without an active market, their fair values are determined by using valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable in the current circumstances and sufficiently supported by available data and other information, and selects inputs that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transactions of the relevant assets or liabilities, and prioritizes the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are unavailable or not reasonably available.

6. Test and accounting methods for impairment of financial assets

The Company estimates financial assets measured at amortized cost by way of single or combination, or the expected credit losses of financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(X) Financial Instruments (Continued)

6. Test and accounting methods for impairment of financial assets (Continued)

The Company combines the receivables with shared credit risk characteristics and the Company estimates the proportion of accruing bad debt provision by aging portfolio based on all reasonable and evidenced information, including forward-looking information:

Aging	Provision ratios for accounts receivable (%)	Provision ratios for other receivable (%)
Within 1 year	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
More than 5 years	100.00	100.00

The probability-weighted amount of the difference in present value between the contractual cash flow of receivable from contracts and the cash flow expected to be received, weighted with the risk of default, will be measured by taking into account of reasonable and valid information on, among other things, past events, current status and the forecast of future economic conditions to recognize the expected credit losses.

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in current profit or loss as impairment losses or gains.

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk on a financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that a financial asset has been credit impaired, the Company shall make individual provision for the impairment of the financial asset.

For account receivables and contract asset formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14-Revenue (2017) whether contain significant financing components or otherwise, the Company always measures the loss provision at the lifetime expected credit loss.

For lease receivables, the Company chooses to always measures the loss provisions at the lifetime expected credit loss.

Where the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is directly written down.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XI) Inventories

1. Classification and costs for inventories

Inventories are classified into raw materials, and goods in stock.

Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

2. Measurement for inventories delivered

Upon delivery, inventories are measured with the weighted average method.

3. Basis for the determination of net realisable value of different type of inventories

On the balance sheet date, inventories are stated at the lower of cost and net realisable value. When the cost of inventories was higher than their net realisable value, the provision decline in value of inventories shall be made. Net realisable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes.

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less related selling costs and taxes; the net realizable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling costs and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the excess part shall be calculated on the ground of general selling price. After the provision decline in value of inventories, if the factors resulting in the previously recorded inventory impairment disappeared, as a result of which the net realisable value of the inventories became higher than its book value, it would be written back to the extent of the original provision decline in value of inventories made, and such written-back amounts would be charged to the current profit or loss.

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

- (1) Low-value consumables are mortised using the immediate write off method;
- (2) Packaging materials are mortised using the immediate write-off method.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XII) Contract assets

1. Recognition and standard of contract assets

The Company presents contract assets or contract liabilities in The balance sheet based on the relationship between performance Obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than Passage of time) to receive for goods transferred to customers is listed As a contract assets. Contract assets and contract liabilities under the Same contract shall be shown on a net basis. The right of the Company To charge the customer unconditionally (only depends on the passage of Time) is listed as a receivable individually.

2. Method of determination of expected credit loss of contract assets

And accounting treatment methods For the method of determination of expected credit loss of contract Assets and accounting treatment methods, please refer to the accounting Treatment of accounts receivable in relation to Note "III. (X) 6. Testing of Impairment of Financial Assets and Accounting Treatment Methods".

(XIII) Assets classified as held-for-sale

A non-current asset or disposal group is classified as asset held-for-sale When the book amount of the asset is recovered principally through a Disposal (including an exchange of non-monetary assets with commercial Substance) rather than through continuing use.

The Company recognises non-current assets or disposal groups which meet The following conditions as assets held for sale:

- (1) The assets or disposal groups must be available for sale immediately Under the current conditions according to the usual terms of the sale of Such assets or disposal groups in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been Offered a resolution with one disposition of the assets and obtained a Firm purchase commitment and the disposition will be completed within 1 year. If regulation needs to be approved by the relevant authorities Or supervision department of the Company, such approval has been Obtained.

When non-current asset (excluding financial asset, deferred income tax asset and asset formed by employee benefits) or disposal group which are classified as held-for-sale, if the book value of the non-current asset or disposal group is higher than the net amount after deducting the disposal cost from its fair value, the book value is reduced to the net amount after deducting the disposal cost from its fair value. The reduced amount is recognized as an asset impairment loss and accounted for as profit and loss for the current period, with provision for impairment loss on held-for-sale assets.

(XIV) Long-term equity investments

1. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over an investee, the investee is an associate of the Company.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XIV) Long-term equity investments (Continued)

2. Determination of initial investment cost

(1) Long-term equity investments acquired through business combination

For a long-term equity investment in subsidiaries resulting from a business combination involving entities under common control, the initial investment cost of long-term equity investments are its share of the book value of the own' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. The difference between initial investment cost of long-term equity investment and the carrying value of paid consideration is to adjust share premium in the capital reserve. If the balance of share premium in the capital reserve is insufficient, any excess is adjusted to retained earnings. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons the difference between initial investment cost of long-term equity investment according to the aforesaid principle, and the sum of the carrying value of longterm equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment in subsidiaries resulting from a business combination involving entities not under common control, the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

(2) Long-term equity investments acquired by other means other than business combination

The initial investment cost of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial investment cost of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for by cost method

Long-term equity investments in subsidiaries are accounted for using cost method unless the investments meet the conditions of held-for-sale. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognized as the Company' share of the cash dividends or profits declared by the investee.

(2) Long-term equity investment accounted for by equity method

Long-term equity investments in associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to current profit or loss and the cost for long-term equity investment shall be adjusted.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(2) Long-term equity investment accounted for by equity method (Continued)

The Company recognizes the investment income and other comprehensive income according to its shares of net profit or loss and other comprehensive income realized by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity (the "Other Changes of Owner's Equity") except for net profits and losses, other comprehensive income and profit distribution of the investee, the carrying value of long-term equity investment shall be adjusted and included in owner's equity.

The Company's share of net profit or loss, other comprehensive income and Other Changes of Owner's Equity of an investee is determined based on the fair value of identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee after the adjustment and other comprehensive income, etc.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized, except for the disposal of assets that consist of operations.

The Company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Company has an obligation to assume additional losses. Where net profits are subsequently made by the associate or joint venture, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(3) Disposal of long-term equity investments

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to current profit or loss.

For the certain long-term equity investment treated under the equity method, where the remaining equity continues to be accounted for using the equity method, the other comprehensive income previously recognised under the equity method shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes of Owner's Equity shall be transferred in proportion into current profit or loss.

When the Group loses the control or material influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. Other Changes of Owner's Equity shall be transferred into the current profit or loss when ceasing to use the equity method.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition of profit or loss (Continued)

(3) Disposal of long-term equity investments (Continued)

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. The other comprehensive income previously recognised before obtaining the control over the investee shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Changes in other owner's equity recognized as a result of the adoption of the equity method shall be transferred to the current profit or loss on pro rata basis. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be recognised as financial asset, and the difference between fair value and the carrying value on the date of losing control shall be included in current profit or loss. All the other comprehensive income and Other Changes of Owner's equity recognised before obtaining the control over the investee shall be transferred.

For disposal of the equity investment in a subsidiary in stages by multiple transactions resulting in the loss of control, where the Company accounts for a package deals, accounting treatment shall be conducted for all transactions as the equity investment for disposal of a subsidiary and the transaction in the loss of control. In the individual consolidated financial statements, the differences between the consideration disposed and the corresponding carrying value of long-term equity investment of the disposed equity in each transaction prior to the loss of control shall be recognised in other comprehensive income first and transferred to the current profit or loss when the parent eventually loses control over the subsidiary. Where the no package deal is accounted for, accounting treatment shall be conducted for each transaction individually.

(XV) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

subsequent expenses related to the investment property shall be included in the cost of the investment property, if the related economic benefits are likely to flow into the enterprise, and the cost can be reliably measured. Otherwise, they should be included in the current profit and loss upon occurrence.

The Company's existing investment property is measured at cost. The Investment property measured at cost — buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

(XVI) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) its cost can be reliably measured.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XVI) Fixed assets (Continued)

1. Conditions for recognition of fixed assets (Continued)

Fixed assets are initially measured at cost (and taking into account the effect of estimated costs of disposal).

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognized. All other subsequent expenses are included in current profit or loss upon occurrence.

2. Methods for depreciation

Fixed assets of the Company are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For fixed assets that have made provision for the impairment, the amount of depreciation of it is determined by carrying value after deducting the provision for the impairment based on useful life during the future period. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

The depreciation methods, useful life of depreciation, residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation methods	Useful life (Years)	Residual Value rate (%)	Annual Depreciation rate (%)
House and buildings	Straight-line method	30	5.00	3.17
Machine and equipment	Straight-line method	5	5.00	19.00
Vehicle	Straight-line method	5	5.00	19.00
Office equipment and others	Straight-line method	5	5.00	19.00

3. Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from using or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in current profit or loss.

(XVII) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XVIII) Borrowing costs

1. *Criteria for recognition of capitalised borrowing costs*

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit or loss in the period in which they are incurred.

Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

2. *Capitalisation period of borrowing costs*

The capitalisation period refers to the period beginning from the commencement of capitalising borrowing costs to the date of ceasing capitalisation, excluding the period of suspension of capitalisation.

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, non-currency assets transferred or interest-bearing liabilities assumed for the acquisition, construction or production of qualifying assets) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset get ready for their intended use or sale have commenced.

Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production gets ready for intended use or sale.

3. *Suspension of capitalisation period*

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, and the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition, construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period of interruption shall be recognized in current profit or loss. When the acquisition, construction or production of the asset resumes, the capitalisation of borrowing costs continues.

4. *Capitalisation rate and calculation of capitalisation amount of borrowing costs*

As to specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs from the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or the investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

As to general borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalized amount of borrowing costs on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowings and the capitalisation rate of the said general borrowings. The capitalisation rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XVIII) Borrowing costs (Continued)

4. Capitalisation rate and calculation of capitalisation amount of borrowing costs (Continued)

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are included in the current profits and losses when incurred.

(XIX) Intangible assets

1. Measurement of intangible assets

(1) Intangible assets are initially measured at cost upon acquisition by the Company

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, and other expenditures directly attributable to bringing the asset ready for its intended use.

(2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible Assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized Over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by An intangible asset cannot be estimated, the intangible asset shall Be taken as an intangible asset with indefinite useful life, and shall Not be amortized.

2. Estimate of useful life for the intangible assets with finite useful life

Items	Estimated Useful Years	Amortization method Basis	Residue Value (%)	Basis
Land use right	40	Straight-line method	0.00	Duration of the certificate
Software	5	Straight-line method	0.00	Expected useful life

3. Specific criteria for the division of research phase and development Phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses In the development phase.

Research phase: a phase in which innovative and scheduled investigations and research activities are conducted to obtain and understand new scientific or technological knowledge.

Development phase: a phase in which the research outcomes or other knowledge are applied for a plan or a design prior to the commercial production or use in order to produce new or substantially improved materials, devices, products, etc.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XIX) Intangible assets (Continued)

4. Specific conditions for capitalisation of expenditure incurred in development phase

Expenditures incurred in the research stage are recognised in profit or loss for the period. Expenditures incurred in the development stage are recognised as intangible assets only when all of the following conditions are satisfied, and the expenditures in the development stage that does not meet all of the following conditions are recognized in profit or loss for the period:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (2) the intention to complete the intangible asset for use or for sale;
- (3) the ways in which the intangible asset generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market, or if the intangible asset is for internal use, there is evidence that proves its usefulness;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in the current profit or loss.

(XX) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment property measured under cost method, fixed assets, construction in progress, right-to-use assets, use of intangible assets and oil and gas assets with a finite useful life are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill formed by business merger, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year regardless of whether there is any sign of impairment.

When the Company performs impairment test on goodwill, the Company shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the set of asset groups. The related asset groups or the set of asset groups refers to these ones that can benefit from the synergies of a business combination.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XX) Impairment of long-term assets (Continued)

For the purpose of impairment test on the relevant asset groups or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then, the Company will conduct impairment tests on the asset groups or set of asset groups that includes goodwill and compare its carrying value against its recoverable amount. If the recoverable amount is lower than its carrying value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset groups or set of asset groups, then, based on the proportion of the carrying value of other assets in the asset groups or set of asset groups other than goodwill, offset against the carrying value of other assets proportionally. Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

(XXI) Long-term deferred expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

(XXII) Contract liabilities

The Company has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

(XXIII) Employee benefits

1. Accounting treatment methods of Short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to current profit or loss or cost of relevant assets.

With regard to the social insurance and housing provident funds contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-currency welfare expenses are measured at fair value.

2. Accounting for post-employment benefits

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment Insurance for the staff in accordance with the relevant provisions Of the local government. During the accounting period when The staff provides service, the Company will calculate the Amount payable in accordance with the local stipulated basis And proportions which will be recognized as liabilities, and the Liabilities would be charged into current profit or loss or costs of Relevant assets.

In addition, the Company will participate in the corporate annuity scheme and supplementary pension insurance approved by the local government. And the Company will makes annuity contributions in proportion to its employees' total salaries to the annuity scheme or local social institutes. The payment would be charged into current profit or loss or costs of relevant assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIII) Employee benefits (Continued)

2. Accounting for post-employment benefits (Continued)

(2) Defined benefit scheme

In respect of the defined benefit scheme, the Company shall Attribute the welfare obligations under the defined benefit scheme In accordance with the estimated accrued benefit method to the Service period of relevant employee, and record the obligation in Profit loss for the current period or costs of related assets.

The deficit or surplus generated from the present value of Obligations of the defined benefit scheme minus the fair value of The assets of defined benefit scheme is recognized as net liabilities Or net assets of a defined benefit scheme. When the defined benefit Scheme has surplus, the Company will measure the net assets of The defined benefit scheme at the lower of the surplus of defined Benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty Of payment within 12 months after the end of annual reporting Period during which the staff provided service, are discounted Based on the market yield of government bonds matching the Term and currency of defined benefit plan obligations or corporate Bonds of high quality in the active market on the balance sheet Date.

The service cost incurred by the defined benefit scheme and The net interest of the net liabilities and net assets of the Defined benefit scheme would be charged to current profit or Loss or relevant costs of assets. The changes arising from the Remeasurement of the net liabilities or net assets of the defined Benefit scheme would be included in other comprehensive income And are not reversed to profit or loss in a subsequent accounting Period; when the previously defined benefits plan is terminated, Such amount previously included in other comprehensive income Shall be transferred to undistributed profit.

When the defined benefit scheme is settled, the gain or loss is recognized based on the difference between the present value of obligations under the defined benefit scheme and the settlement price at the balance sheet date.

3. Accounting treatment of Termination benefits

When the Company provides employees with termination benefits, the staff remuneration liabilities arising from termination benefits are recognized and recorded in current profit or loss whichever of the following is earlier: when the Company cannot unilaterally revoke such termination benefits provided due to dissolution of labour relationship plan or layoff proposal; when the Company recognizes such cost or expenses associated with the restructuring involving the payment of termination benefits.

(XXIV) Estimated liabilities

The Company shall recognize it as the estimated liability, when all of the following conditions are satisfied:

- (1) such obligation is the present obligation of the Company;
- (2) the performance of such obligation is likely to lead to an outflow of economic benefits of the Company;
- (3) the amount of such obligation can be reliably measured.

The estimated liabilities are initially measured at the best estimate of expenditure required for the performance of relevant present obligations.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIV) Estimated liabilities (Continued)

The Company shall take into consideration the risks, uncertainties, time value of money and other factors relating to the contingencies in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value. In other cases, the best estimate are handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount;
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

When all or part of the expenditures necessary for the settlement of an estimated liability is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the carrying amount of estimated liabilities.

The Company reviews the carrying amount of estimated liabilities on balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

(XXV) Revenue

1. General principles for revenue recognition

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the benefits from the goods or services.

If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods or services committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the revenue accumulatively recognized which is not likely to be significantly reversed when the relevant uncertainty disappears. Where there are significant financing elements in the contract, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXV) Revenue (Continued)

1. General principles for revenue recognition (Continued)

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- The customers can control the goods under construction in the course of the Company's performance.
- Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

Where performance of a single service contract takes place over a certain period of time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the fulfillment progress of the performance cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

For a performance obligation satisfied at a point in time, the Company shall recognize revenue when the customer obtains control of relevant Goods or services. In judging whether customers obtain control of Promised goods or services, the Company considers the following Indications:

- The Company enjoys the right to collect cash on the goods or Services, that is, the customer has the obligation to pay for the Goods or services at the present time.
- The Company has transferred the legal ownership of the commodity To the customer, that is, the customer has the legal ownership of The commodity.
- The Company has transferred the goods in kind to the customers, That is, the customers have actually taken possession of the goods.
- The Company has transferred the main risks and rewards in The ownership of the commodity to its customers, that is, the Customers have acquired the main risks and rewards in the Ownership of the commodity.
- The customer has accepted the goods.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXVI) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which does not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

- This cost is directly related to a current or expected contract.
- This cost increases the resources of the Company to fulfill its performance obligations in the future.
- The cost is expected to be recovered.

If the incremental cost incurred by the Company in obtaining the contract can be expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will include it into the current profit or loss when it incurs.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost expected to be incurred for the transfer of the relevant goods or services.

If the above-mentioned excess is higher than the book value of such assets as a result of any subsequent change of impairment factors in the previous period, the provision for impairment of assets previously made shall be reversed and included in profit or loss for the period as incurred to the extent the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

(XXVII) Government grants

1. Types

Government grants are monetary assets and non-monetary assets obtained by the Company from the government for free, and are divided into government grants related to assets and government grants related to income.

Government grants related to assets are those obtained by the Company for the purposes of acquisition, construction or other project that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

The Company classified government grants obtained for acquisition or construction of long-term assets or formation of long-term asset in other forms as government grants related to assets.

Government grants other than those related to assets are classified as government grants related to revenue.

If related government documents do not specify the objective of the grants, the grants are classified as related to revenue.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXVII) Government grants (Continued)

2. Timing for recognition

Government grants are recognised when the Company can comply with the conditions attached to it and when it can be received.

3. Accounting treatment

Asset-related government grants shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income).

Government grants related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in current profit or loss when such costs and losses are recognized (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the grants used to compensate relevant costs or losses that have incurred by the Company are recorded directly in current profit or loss (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses.

(XXVIII) Deferred income tax assets and deferred income tax liabilities

Income tax comprises current and deferred income tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save for exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include:

- the initial recognition of the goodwill;
- other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXVIII) Deferred income tax assets and deferred income tax liabilities (Continued)

On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

When the Group has a legally enforceable right to set-off and intends either to settle on a net basis or to acquire the income tax asset and settle the income tax liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- When the taxable entity has the legal right to set off current income tax assets and current income tax liabilities on a net basis;
- When the deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax authority, or related to different entities liable to pay tax but the relevant entities intend to settle on a net basis or to acquire the income tax assets and settle the income tax liabilities simultaneously in the future period in which significant deferred income tax assets and liabilities would be reversed.

(XXIX) Lease

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

For a contract that contains multiple separate lease, the Company separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separates the lease and non-lease components.

1. The Company as a lessee

(1) Right-of-use assets

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the Company;

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIX) Lease (Continued)

1. The Company as a lessee (Continued)

(1) Right-of-use assets (Continued)

- the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease, except those incurred for the production of inventories.

The Company accrues depreciation for the right-of-use assets with refer to the relevant depreciation policy of the note "III. (XVI) Fixed assets". If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the note "III. (XX)—Impairment of long-term assets" and conducts accounting treatment for impairment loss identified.

(2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payment include:

- 1) fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- 2) variable lease payment that are based on an index or a rate;
- 3) amounts expected to be payable under the guaranteed residual value provided by the Company;
- 4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- 5) payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined reasonably, the Company's incremental borrowing rate is used.

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period or cost of relevant assets in which they actually arise.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIX) Lease (Continued)

1. The Company as a lessee (Continued)

(2) Lease liabilities (Continued)

After the commencement date of lease term, if the following circumstances occur, the Company re-measures the lease liability and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced. The Company accounts for the difference in the current profit or loss:

- when the assessment results of the purchase, extension or termination option or the actual exercise condition changes, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the revised discount rate;
- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company remeasures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.

(3) Short-term leases and leases of low-value assets

The right-of-use asset and lease liability are not recognized by the Company for short-term leases and leases of low-value assets, and the relevant lease payments are included in profit or loss in the period or costs of relevant assets in each period of the lease term on a straight-line basis. Short-term leases are defined as leases with a lease term of not more than 12 months from the commencement date and excluding a purchase option. Leases of low-value assets are defined as leases with underlying low value when new. Where the Company subleases or expects to sublease a leased asset, the original lease shall not belong to a lease of low value asset.

(4) Lease change

The Company will account for the lease change as a separate lease If the lease changes and meets the following conditions:

- The lease change expands the scope of lease by increasing the Rights to use one or more leased assets;
- The increased consideration and the individual price of the Expanded part of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Company shall re-allocate the consideration of a changed contract, Re-determine the lease term, and remeasure the lease liabilities by The present value calculated from the changed lease payments an Revised discount rate on the effective date of the lease change.

If the lease change results in a narrower lease or a shorter lease Term, the Company reduces the carrying value of the right-of-use asset accordingly, and recognises the related gains or losses That partially terminate or completely terminate the leases into the Current profit and loss. For other lease change that cause the lease Liabilities to be remeasured, the Company adjusts the carrying Value of the right-of-use assets accordingly.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIX) Lease (Continued)

2. The Company as a lessor

At the commencement date of lease term, the Company classifies Leases as financing leases and operating leases. A financing lease is a Lease that transfers substantially all the risks and rewards incidental to Ownership of a leased asset, irrespective of whether the ownership of The asset is eventually transferred. An operating lease is a lease other Than a finance lease. As a sub-leasing lessor, the Company classifies The sub-leases based on the right-of-use assets of the original leases.

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes financing lease receivable and derecognizes the underlying assets. The Company initially measures financing lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the commencement date of lease term, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income in each period during the lease term, based on a constant periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with the Note "III. (X) Financial instruments".

Variable lease payments not included in the measurement of the net investment in the lease are included in profit or loss in the period in which they are occurred.

Accounting treatment of lease changes When a financial lease is changed and the following conditions are simultaneously met, the Group accounts for the lease change as a separate lease:

- The change expands the scope of lease by adding the right to use one or more leased assets;
- The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

Where a change in a financial lease is not accounted for as a separate lease, the Company deals with the lease after the change according to the following situation:

- In case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Company accounts for it as a new lease from the effective date of the modification and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the leased assets;
- In case where the lease would have been classified as a finance lease assuming the modification became effective at the commencement date of the lease, the Company conducts accounting treatment in accordance with the policy regarding the modification or renegotiation of contracts described in this note "III. (X)—Financial instruments".

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXIX) Lease (Continued)

3. After-sale and leaseback transactions

The Company determines whether the asset transfer in the after-sale and leaseback transaction is a sale in accordance with principles described in notes "III. (XXVIII) Revenue".

(1) As a lessee

If the asset transfer in the after-sale and leaseback transaction is a sale, the Company, as a lessee, measures the right-of-use assets formed by the after-sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognize relevant gains or losses only for the right to transfer to the lessor; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income. For details of accounting treatment for financial liabilities, please see Note "III. (X) Financial instruments".

(2) As a lessor

If the transfer of assets in the after-sale and leaseback transaction is a sale, the Company, as a lessor, accounts for asset purchase, and accounts for asset lease in accordance with policies in the aforementioned "2. The Company as a lessor"; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income. For details of accounting treatment for financial assets, please see Note "III. (X) Financial instruments".

(XXX) Discontinued operations

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

- 1) represents a separate major line of business or geographical area of operations;
- 2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- 3) is a subsidiary acquired exclusively with a view to resale.

The profits or losses from continuing operations and discontinued operations are presented in the income statement, respectively. The profits or losses from discontinued operations such as impairment losses and reversed amounts, and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations. For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

(XXXI) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

(1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 13

On 10 December 2019, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 13 (Cai Kuai [2019] No. 21, hereinafter referred to as "Interpretation No. 13") which will be effective on 1 January 2020, and retroactive adjustments will not be required.

① Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute the related parties: joint ventures or associates of an enterprise and other members of its enterprise group (including the parent company and subsidiaries); an enterprise's joint ventures and an enterprise's other joint ventures or associates. In addition, the Interpretation No. 13 also makes it clear that only two parties or more that are significantly affected by one party do not constitute the related parties, and adds that the associates include the associates and their subsidiaries, and the joint venture includes the joint venture and its subsidiaries.

② Definition of business

Interpretation No. 13 perfects the three elements of business composition, refines the judgment conditions that make up the business, and introduces the "concentration test" option to simplify the judgment of whether the acquisition of a combination under non-identical control constitutes the business to a certain extent.

The Company has implemented Interpretation No. 13 since 1 January 2020, without adjustment to the comparative financial statements, and the Implementation of Interpretation No. 13 has no material impact on the Company's financial position and operating results.

(2) Implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19

On 19 June 2020, the Ministry of Finance issued the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Cai Kuai [2020] No. 10), which will come into effect on 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the date of effect of the provision. According to the provision, enterprises can choose to use simplified methods for accounting treatment for rent reductions, delay in payment and other rent concessions directly caused by the COVID-19.

The Company chooses to adopt simplified methods for accounting treatment for all rent concessions that fall within the scope of the provision, and make corresponding adjustments to relevant rent concessions that occurred from 1 January 2020 to the effective date of this provision in accordance with this provision.

The implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 has no material impact on the Company's financial position and operating results.

2. Changes in significant accounting estimates

No significant changes to accounting estimates occurred during the reporting period.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

IV. TAXES

(I) Main taxes and tax rates

Tax Types	Tax basis	Tax rate
Value-added Tax ("VAT")	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13%, 9%, 6%, 5%, 3%
City maintenance and construction tax	Based on value-added tax paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 8.25%, 16.5%, 15%

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

Taxpayer	Income tax rate
Guangdong Adway Construction (Group) Holdings Company Limited	15%
Jingdi Industrial (Shenzhen) Company Limited	25%
Adway Constructional Engineering Design (Shenzhen) Company Limited	25%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	25%
Huidong Yip's Development Company Limited	25%
Adway Construction (Hong Kong) Limited	8.25%, 16.5%

(II) Tax Preference

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

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary Capital

Items	Closing balance	Closing balance at preceding year
Cash	27,095.90	18,288.90
Deposits in banks	110,573,669.42	254,572,254.44
Other monetary funds	48,914,674.04	12,330,089.29
Total	159,515,439.36	266,920,632.63
Including: Total amount deposited abroad	26,865.14	30,761.53

The monetary capital which was limited to use by mortgage, pledge, and frozen, or limited to remit to China in foreign countries are as following:

Items	Closing balance	Closing balance at preceding year
Deposit for the issuance of bank acceptance bills	21,000,000.00	9,975,000.00
Deposits for the issuance of letter of guarantee	810,277.72	2,298,471.81
Deposits for the issuance of letter of credit	10,000,000.00	
Term deposit or notice deposit for pledge	15,000,000.00	
Wage guarantee for migrant workers	157,553.33	9,141.93
Judiciary freeze or restricted for settlement of exchange	1,946,842.99	47,475.55
Total	48,914,674.04	12,330,089.29

2. Notes receivable

1. Notes receivable shown as classification

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	10,247,710.52	1,900,000.00
Commercial acceptance bills	12,507,408.22	18,649,952.88
Total	22,755,118.74	20,549,952.88

2. Endorsed or discounted notes receivable that are not mature on balance sheet date at the end of the period

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	—	9,806,239.10
Commercial acceptance bills	—	6,832,082.72
Total	—	16,638,321.82

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Account receivable

1. Account receivable shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year	176,899,528.99	983,075,763.93
1-2 years	459,858,633.84	135,614,131.81
2-3 years	119,163,232.17	99,532,461.62
3-4 years	82,756,222.44	72,043,383.66
4-5 years	64,389,529.08	17,204,776.43
Over 5 years	105,888,233.89	97,378,976.86
Sub-total	1,008,955,380.41	1,404,849,494.31
Less: bad debt provision	401,179,548.24	170,395,621.66
Total	607,775,832.17	1,234,453,872.65

2. Classification of account receivables by basis of bad debt provisions made

Type	Closing balance					Closing balance at preceding year				
	Gross carrying amount		Bad debt provision		Net carrying amount	Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with provision for the bad debt based on an individual basis	245,039,692.55	24.29	245,039,692.55	100.00			111,129,145.86	7.91	111,129,145.86	100.00
Accounts receivable with the provision for bad debt based on a collective basis	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17	1,293,720,348.45	92.09	59,266,475.80	4.58	1,234,453,872.65
Inc: aging portfolio	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17	1,293,720,348.45	92.09	59,266,475.80	4.58	1,234,453,872.65
Total	1,008,955,380.41	100.00	401,179,548.24		607,775,832.17	1,404,849,494.31	100.00	170,395,621.66		1,234,453,872.65

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Account receivable (Continued)

3. Accrued, reverse and recovery of provision for bad debts in the period

Type	Closing balance at preceding year	Movement during the period			Closing balance
		Bad debt provision made	Reversed or recovered	Charged off or Written off	
Provision for bad debts on an individual basis	111,129,145.86	133,910,546.69			245,039,692.55
Provision for bad debts on a collective basis	59,266,475.80	96,873,379.89			156,139,855.69
Total	170,395,621.66	230,783,926.58			401,179,548.24

Significant provision for bad debt made on individual basis

Name	Closing balance			Reasons for provision
	Gross carrying amount	Bad debt provision	% of total balance	
Nanyang Zhongtai Property development Ltd	30,620,359.35	30,620,359.35	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Chongqing Nengtou Property Ltd	27,418,863.26	27,418,863.26	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Qinghai Xinhua Merchandise Commercial Ltd	23,406,746.91	23,406,746.91	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhen Futian Bureau of public works	18,100,766.66	18,100,766.66	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhou Great Wall International Engineering Ltd	17,340,677.02	17,340,677.02	100.00	Expected to be unrecoverable as the customer went bankruptcy
Zunyi Xin Ao Property development Ltd	17,303,217.74	17,303,217.74	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Gansu Jincheng 5th tourism investment Ltd	15,847,404.78	15,847,404.78	100.00	Expected to be unrecoverable as the customer is in financial difficulty
TOTAL	150,038,035.72	150,038,035.72		

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Account receivable (Continued)

3. Accrued, reverse and recovery of provision for bad debts in the period (Continued)

Provisions made for bad debt based on collective basis

Account receivables with provision made on a collective basis with aging portfolio:

	Closing balance		
	Account receivables	Bad debt provision	% of total balance
Within 1 year	162,187,992.68	8,109,399.63	5.00
1-2 years	388,755,421.71	38,875,542.17	10.00
2-3 years	101,167,527.61	30,350,258.28	30.00
3-4 years	53,764,139.95	26,882,069.98	50.00
4-5 years	30,590,101.42	24,472,081.14	80.00
Above 5 years	27,450,504.49	27,450,504.49	100.00
Total	763,915,687.86	156,139,855.69	

4. The top five debtors of accounts receivable at the end of the period

Debtors	Closing balance		
	Account receivable	Proportion of account receivable (%)	Bad debt provision
Linyi Dongfang Xinjiyuan Property Cost., Ltd.	186,351,900.39	18.47	18,633,442.21
Zhong jian Installation engineering cost., Ltd.	49,904,801.74	4.95	4,990,470.60
Shenzhen xinrunyuan property development cost., Ltd.	36,651,150.58	3.63	9,555,089.54
Nanyang Zhongtai property development cost., Ltd.	30,620,359.35	3.03	30,620,359.35
Chongqing nengtou property cost., Ltd.	27,418,863.26	2.72	27,418,863.26
Total	330,947,075.32	32.80	91,218,224.96

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayment

1. Prepayments presented by aging

Aging	Closing balance		Closing balance at preceding year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	169,321,365.01	81.35	91,199,615.94	93.31
1-2 years	35,161,469.26	16.89	6,536,102.05	6.69
2-3 years	3,669,829.32	1.76		
Total	208,152,663.59	100.00	97,735,717.99	100.00

2. Top 5 debtors of prepayment at the end of the period by

Receivers of advances	Closing balance	Percentage in total prepayments (%)
Shenzhen jingye construction labor cost., Ltd.	48,069,543.73	23.09
Shenzhen antai construction Labor cost., Ltd.	14,336,028.14	6.89
Lianjiang weijun stone material cost., Ltd.	7,057,150.47	3.39
Shenzhen hengfeng construction Labor cost., Ltd.	5,676,826.39	2.73
Shenzhen heshun construction Labor cost.co., Ltd.	4,920,476.10	2.36
Total	80,060,024.83	38.46

5. Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		
Other receivables	24,012,973.96	50,929,790.49
Total	24,012,973.96	50,929,790.49

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

1. Other receivables

(1) Other receivables shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year	16,137,870.18	38,891,537.98
1-2 years	6,150,327.85	7,504,998.53
2-3 years	2,589,397.72	2,772,436.43
3-4 years	2,427,990.80	872,367.07
4-5 years	635,432.93	16,313,998.25
Over 5 years	14,013,381.96	
Sub-total	41,954,401.44	66,355,338.26
Less: Bad debt provision	17,941,427.48	15,425,547.77
Total	24,012,973.96	50,929,790.49

(2) Classification of other receivables by basis of bad debt provisions made

Type	Closing balance					Closing balance at preceding year				
	Gross carrying amount		bad debt provision		Net carrying amount	Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivable with provision for the bad debt based on an individual basis	10,136,523.40	24.16	10,136,523.40	100.00			11,321,424.76	17.06	11,321,424.76	100.00
Other receivable with the provision for bad debt based on a collective basis	31,817,878.04	75.84	7,804,904.08	24.53	24,012,973.96	55,033,913.50	82.94	4,104,123.01	7.46	50,929,790.49
Inc: aging portfolio	31,817,878.04	75.84	7,804,904.08	24.53	24,012,973.96	55,033,913.50	82.94	4,104,123.01	7.46	50,929,790.49
Total	41,954,401.44	100.00	17,941,427.48		24,012,973.96	66,355,338.26	100.00	15,425,547.77		50,929,790.49

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

1. Other receivables (Continued)

(3) Details of accrued bad debt provision

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss over the duration (no credit impairment occurred)	Third stage Expected credit loss over the duration (credit impairment occurred)	Total
Closing balance of the preceding year	4,104,123.01		11,321,424.76	15,425,547.77
Opening balance in the current period				
— transfer to second stage				
— transfer to third stage				
— transfer back to second stage				
— transfer back to first stage				
Accrued in current period	3,700,781.07			3,700,781.07
Reversal in current period				
Resale in current period			-1,184,901.36	-1,184,901.36
Written-off in current period				
Other changes				
Closing Balance	7,804,904.08		10,136,523.40	17,941,427.48

(4) Accrued, reversal and recovery of the provision for bad debt in the current period

Type	Closing balance at preceding year	Movement during the period			Closing balance
		Provision made	Reversed or recovered	Charged off or Written off	
Provision for bad debts on an individual basis	11,321,424.76			-1,184,901.36	10,136,523.40
Provision for bad debts on a collective basis	4,104,123.01	3,700,781.07			7,804,904.08
Total	15,425,547.77	3,700,781.07		-1,184,901.36	17,941,427.48

(5) Nature of other receivables

Nature of receivables	Gross carrying amount at the end of the period	Gross carrying amount at the end of the preceding year
Deposit	39,904,116.56	56,251,059.84
Reserve fund	468,694.82	466,814.65
Current account	892,104.66	5,193,232.42
Others	689,485.40	4,444,231.35
Total	41,954,401.44	66,355,338.26

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

1. Other receivables (Continued)

(6) The top 5 debtors of other receivables at the end of the period

Name of debtor	Nature of the amount	Closing balance	Aging	Percentage in total other receivables at end of the year (%)	Closing balance of the bad debt provision
Sanya zhongtie property cost., Ltd.	Guarantee monies for bidding	4,424,588.00	Over 5 years	10.55	4,424,588.00
Chongqing Henggao property co., Ltd.	Guarantee monies for bidding	3,000,000.00	Over 5 years	7.15	3,000,000.00
Shenzhen pengcheng construction group cost., Ltd.	Guarantee monies for performance	2,000,000.00	3-4 years	4.77	1,000,000.00
Qinghai Xinhua merchandise business group cost., Ltd.	Guarantee monies for bidding	1,500,000.00	Over 5 years	3.58	1,500,000.00
Beijing xinrunyuan property development Cost., Ltd.	Guarantee monies for performance	1,500,000.00	Within 1 year	3.58	75,000.00
Total		12,424,588.00		29.61	9,999,588.00

6. Inventory

Items	Closing balance			Closing balance at preceding year		
	Gross carrying amount	Impairment provision of Inventory/ Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Impairment provision of Inventory/ Provision for decline in value of inventories	Net carrying amount
Raw materials				1,684,387.00		1,684,387.00
Total				1,684,387.00		1,684,387.00

7. Contract assets

1. Particulars of contract assets

Items	Closing balance			Closing balance at preceding year		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Contract assets related to building decoration projects	1,197,784,405.31	238,596,784.74	959,187,620.57	1,029,997,819.38	44,785,349.62	985,212,469.76
Quality assurance deposit of which warranty period within one year	3,485,696.96	174,284.85	3,311,412.11	15,980,396.00		15,980,396.00
Total	1,201,270,102.27	238,771,069.59	962,499,032.68	1,045,978,215.38	44,785,349.62	1,001,192,865.76

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Contract assets (Continued)

2. Classification by the methods for making impairment provision

Type	Closing balance					Closing balance at preceding year				
	Gross carrying amount		Impairment provision		Net carrying amount	Gross carrying amount		Impairment provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Contract assets with the provision for impairment based on an individual basis	33,593,602.89	2.80	33,593,602.89	100.00		44,785,349.62	4.28	44,785,349.62	100.00	
Contract assets with the provision for impairment based on a collective basis	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68	1,001,192,865.76	95.72			1,001,192,865.76
Including Aging portfolio	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68	1,001,192,865.76	95.72			1,001,192,865.76
Total	1,201,270,102.27	100.00	238,771,069.59		962,499,032.68	1,045,978,215.38	100.00	44,785,349.62		1,001,192,865.76

3. Particulars of impairment provision for contract assets

Items	Closing balance at preceding year	Accrued in current period	Reversal in current period	Charged off/written-off in current period	Closing balance
Impairment provision made on individual basis	44,785,349.62	17,269,319.42	28,461,066.15		33,593,602.89
Impairment provision made on a collective basis		205,177,466.70			205,177,466.70
Total	44,785,349.62	222,446,786.12	28,461,066.15		238,771,069.59

Significant accrued provision for impairment on individual basis:

Name	Closing balance			Reason for provision
	Gross carrying amount	Impairment provision	Provided ratio (%)	
Renhua County Hexing Industry investment Ltd	14,299,916.30	14,299,916.30	100.00%	Expected to be unrecoverable as the customer is in financial difficulty
Shenzhen Guang Group Could., Ltd	7,905,334.28	7,905,334.28	100.00%	Expected to be unrecoverable as the customer is in financial difficulty
Huizhou Konghong Property development Ltd	1,928,617.44	1,928,617.44	100.00%	Expected to be unrecoverable as the customer is in financial difficulty
Changsha Nantuo Village Beitang village committee	1,652,235.66	1,652,235.66	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Chenmei (Xiamen) photoelectric Ltd	1,583,493.32	1,583,493.32	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Total	27,369,597.00	27,369,597.00		

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Contract assets (Continued)

3. Particulars of impairment provision for contract assets (Continued)

Significant accrued provisions for impairment on collective basis

Contract assets assessed for impairment loss on a collective basis with aging portfolio:

	Closing balance		
	Contract asset	Impairment provision	Provided ratio (%)
Within 1 year	372,696,883.32	18,634,844.16	5.00
1-2 years	393,587,049.33	39,358,704.93	10.00
2-3 years	299,181,304.07	89,754,391.22	30.00
3-4 years	86,220,361.44	43,110,180.72	50.00
4-5 years	8,357,777.82	6,686,222.26	80.00
Above 5 years	7,633,123.41	7,633,123.41	100.00
Total	1,167,676,499.38	205,177,466.70	

8. Investment properties

1. Investment properties measured by cost

Items	House and building	Total
1. Cost		
(1) Closing balance at preceding year	1,373,919.00	1,373,919.00
(2) Additions in the period		
(3) Decrease in the period		
(4) Closing balance	1,373,919.00	1,373,919.00
2. Accumulated depreciation and accumulated amortization		
(1) Closing balance at preceding year	685,016.95	685,016.95
(2) Additions in the period	43,451.40	43,451.40
— Depreciation or amortization	43,451.40	43,451.40
(3) Decrease in the period		
(4) Closing balance	728,468.35	728,468.35
3. Provision for impairment		
(1) Closing balance at preceding year		
(2) Additions in the period		
(3) Decrease in the period		
(4) Closing balance		
4. Net book amount		
(1) Closing value at the end of the year	645,450.65	645,450.65
(2) Closing value at preceding year	688,902.05	688,902.05

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fixed assets

1. Fixed assets and disposal of fixed assets

Items	Closing net book amount	Closing net book amount at preceding year
Fixed assets	54,495,287.80	58,352,338.58
Fixed assets in liquidation		
Total	54,495,287.80	58,352,338.58

2. Details of fixed assets

Items	House and building	Mechanical equipment	Vehicle	Office equipment and others	Total
1. Cost					
(1) Closing balance at preceding year	89,981,894.33		14,513,766.38	7,354,352.29	111,850,013.00
(2) increase in the period — Purchased		157,000.00		58,512.51	215,512.51
(3) decrease in the period — disposal or scraping		157,000.00		58,512.51	215,512.51
(4) closing balance	66,503,549.33	157,000.00	14,513,766.38	7,392,265.87	112,044,926.58
2. Accumulated depreciation					
(1) Closing balance at preceding year	14,514,771.41		9,207,387.37	6,297,170.64	30,019,329.42
(2) increase in the period — accrued	2,066,903.52	80,209.31	1,540,201.56	380,465.80	4,067,780.19
(3) decrease in the period — disposal or scraping	2,066,903.52	80,209.31	1,540,201.56	380,465.80	4,067,780.19
(4) closing balance	16,581,674.93	80,209.31	10,747,588.93	6,661,820.61	57,549,638.78
3. Provision for impairment					
(1) Closing balance at preceding year					
(2) Increase in the period					
(3) Decrease in the period					
(4) Closing balance					
4. Net book amount					
(1) Closing value at end of the year	49,921,874.40	76,790.69	3,766,177.45	730,445.26	54,495,287.80
(2) Carrying value in the beginning of the year	51,988,777.92		5,306,379.01	1,057,181.65	58,352,338.58

3. The fixed assets with pending certificates of ownership

Items	Net book amount	Reason for pending certificates of ownership
House and buildings	5,599,588.90	During the process of handling the certificate of ownership

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Right of use asset

Items	House and building	Total
1. Cost		
(1) Opening balance	2,923,797.00	2,923,797.00
(2) Increase in current period — New lease	236,473.62 236,473.62	236,473.62 236,473.62
(3) Decrease in current period		
(4) Closing balance	3,160,270.62	3,160,270.62
2. Accumulated depreciation		
(1) Opening balance	961,576.00	961,576.00
(2) Increase in the current period — accrued	689,026.91 689,026.91	689,026.91 689,026.91
(3) Decrease in the current period		
(4) Closing balance	1,650,602.91	1,650,602.91
3. Provision for impairment		
(1) Opening balance		
(2) Increase in the period		
(3) Decrease in the current period		
(4) Closing balance		
4. Net book amount		
(1) at the end of the year	1,509,667.71	1,509,667.71
(2) at the beginning of the year	1,962,221.00	1,962,221.00

11. Intangible assets

1. Details of intangible assets

Items	Software	Land use right	Total
1. Cost			
(1) Opening balance	5,324,512.59	11,242,609.00	16,567,121.59
(2) Increase in the current period — Purchased	45,309.73 45,309.73		45,309.73 45,309.73
(3) Decrease in the current period			
(4) Closing balance	5,369,822.32	11,242,609.00	16,612,431.32
2. Accumulated amortization			
(1) Opening balance	3,545,339.87	1,881,708.08	5,427,047.95
(2) Increase in the current period — Provision	1,787,473.00 1,787,473.00	285,829.08 285,829.08	2,073,302.08 2,073,302.08
(3) Decrease in the current period			
(4) Closing balance	5,332,812.87	2,167,537.16	7,500,350.03
3. Provision for impairment			
(1) Opening balance			
(2) Increase in the current period			
(3) Decrease in the current period			
(4) Closing balance			
4. Net book amount			
(1) at the end of the year	37,009.45	9,075,071.84	9,112,081.29
(2) at the beginning of the year	1,779,172.72	9,360,900.92	11,140,073.64

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets not on a netting basis

Items	Closing balance		Closing balance at preceding year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for credit impairment	423,291,868.59	63,532,231.55	188,644,664.33	28,296,699.65
Provision for asset impairment	239,164,830.53	35,874,724.58	44,785,350.00	6,717,802.50
Social security and provident fund	4,577,004.00	686,550.60	4,577,004.00	686,550.60
Deferred earnings	1,556,925.51	233,538.83	1,629,340.71	244,401.11
Total	668,590,628.63	100,327,045.56	239,636,359.04	35,945,453.86

2. Unrecognized deferred income tax assets

Item	Closing balance	Closing balance at preceding year
Deductible loss	2,525,108.22	2,027,109.03
Total	2,524,408.22	2,027,109.03

3. Unrecognized deferred income tax assets carried forward to the following years

Year	Closing balance	Closing balance at preceding year
2020		1,401,002.00
2021	567,014.46	567,014.46
2022	504,030.07	504,030.07
2023	360,021.05	360,021.05
2024	596,043.45	596,043.45
2025	497,299.19	
Total	2,524,408.22	3,428,111.03

13. Other non-current assets

Items	Closing balance			Closing balance at preceding year		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Project's quality assurance deposit of which warranty period exceeding one year	2,346,389.70	393,760.93	1,952,628.77	2,961,601.00		2,961,601.00
Total	2,346,389.70	393,760.93	1,952,628.77	2,961,601.00		2,961,601.00

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Short-term borrowings

Items	Closing balance	Closing balance at preceding year
Borrowings — secured and pledged	70,000,000.00	98,000,000.00
Borrowings — secured and guaranteed	250,000,000.00	268,928,000.00
Borrowings — secured	14,250,000.00	
Guaranteed borrowings	30,000,000.00	35,000,000.00
Total	364,250,000.00	401,928,000.00

15. Notes payable

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	35,000,000.00	78,500,000.00
Commercial acceptance bills	20,000,000.00	25,000,000.00
Total	55,000,000.00	103,500,000.00

16. Account payables

1. Particulars of accounts payables

Items	Closing balance	Closing balance at preceding year
Material expenses payable	355,860,805.86	422,162,979.46
Labor fee payable	146,358,255.00	254,843,654.33
Other	10,109,027.73	11,435,557.98
Total	512,328,088.59	688,442,191.77

2. Significant account payables aged over 1 year

Item	Closing balance	Reason for unpaid or unsettled
Shenzhen Zhongfu Construction Service Ltd	62,448,947.92	No paid yet
Shenzhen Shenhuaixin Cable Industrial Ltd	22,816,315.87	No paid yet
Shenzhen Hongjinyuan Construction Labor Ltd	18,663,915.90	No paid yet
Shenzhen Legong Jiancai Ltd	9,022,404.31	No paid yet
Shenzhen Guangjin Construction Labor Ltd	6,829,860.40	No paid yet
Total	25,493,776.30	

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Contract liabilities

1. Particulars of contract liabilities

Items	Closing balance	Closing balance at preceding year
Contract liabilities relating to construction decoration engineering business	122,655,432.24	112,108,963.71
Contract liabilities relating to design business	967,509.11	1,009,384.81
Total	123,622,941.35	113,118,348.52

18. Staff Remuneration Payable

1. Particulars of Staff Remuneration Payable

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	7,858,934.72	26,653,769.86	28,779,023.04	5,733,681.54
Post-employment benefit-established withdrawal and deposit scheme	2,731,269.15	1,690,223.42	1,593,210.34	2,828,282.23
Total	10,590,203.87	28,343,993.28	30,372,233.38	8,561,963.77

2. Short-term Remuneration

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	5,972,194.95	23,394,117.55	25,520,059.40	3,846,253.10
(2) Employee welfare	9,000.00	1,172,427.63	1,181,427.63	
(3) Contribution to Social insurance fund	1,000,533.92	652,789.97	583,633.78	1,069,690.11
Inc.: medical insurance fund	848,226.61	558,097.67	494,789.52	911,534.76
work injury insurance fund	34,254.90	21,124.12	19,981.65	35,397.37
maternity insurance fund	118,052.41	73,568.18	68,862.61	122,757.98
(4) Contribution to Housing provident fund	845,199.93	791,307.10	856,269.94	780,237.09
(5) Staff Union fee and Staff training cost	32,005.92	643,127.61	637,632.29	37,501.24
(6) Short term paid leave				
(7) Short-term profit sharing scheme				
Total	7,858,934.72	26,653,769.86	28,779,023.04	5,733,681.54

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Staff Remuneration Payable (Continued)

3. Presentation of defined contribution plan

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	2,669,612.34	1,649,148.61	1,557,244.54	2,761,516.41
Unemployment insurance	61,656.81	41,074.81	35,965.80	66,765.82
Total	2,731,269.15	1,690,223.42	1,593,210.34	2,828,282.23

19. Tax payable

Tax items	Closing balance	Closing balance at preceding year
Value-added tax	79,501,042.99	130,010,993.67
Enterprise income tax	8,091,061.61	11,432,834.41
Individual income tax	82,949.72	75,015.43
Urban maintenance and construction tax	5,424,017.33	6,195,795.70
Educational surtax	3,874,278.31	4,426,293.79
Total	96,973,349.96	152,140,933.00

20. Other payable

Items	Closing balance	Closing balance at preceding year
Interest payable	531,273.20	1,303,056.17
Other payables	13,212,414.55	11,818,748.55
Total	13,743,687.75	13,121,804.72

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Other payable (Continued)

1. Interest payable

Items	Closing balance	Closing balance at preceding year
Interests payable of short-term borrowing	531,273.20	1,303,056.17
Total	531,273.20	1,303,056.17

2. Other payables

(1) Other payables by nature

Items	Closing balance	Closing balance at preceding year
Deposit	6,754,782.55	932,874.52
Current accounts balance	1,368,789.71	1,115,777.82
Other	5,088,842.29	9,770,096.21
Total	13,212,414.55	11,818,748.55

21. Non-current liabilities due within in one year

Items	Closing balance	Closing balance at preceding year
Long term loan due within one year	—	15,229,807.21
Total	—	15,229,807.21

22. Other current liabilities

Items	Closing balance	Closing balance at preceding year
Pending VAT output	5,122,653.30	4,555,097.76
Letter of credit financing	10,000,000.00	
Factoring financing	9,988,000.00	
Total	25,110,653.30	4,555,097.76

23. Lease liability

Items	Closing balance	Closing balance at preceding year
Lease payment	1,620,909.99	2,393,349.17
Less: unrecognized financial expense	143,821.98	420,031.17
Total	1,477,088.01	1,973,318.00

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Deferred income

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance	Reason
Government grants	1,629,340.71		72,415.20	1,556,925.51	The government grants was related to the assets
Total	1,629,340.71		72,415.20	1,556,925.51	

The project related to government grants:

Items	Closing balance at preceding year	Increase in current period	Recorded in profit or loss in the current period	Other variation	Closing balance	Assets related/ income related
Subsidy for property-purchase	1,629,340.71		72,415.20		1,556,925.51	Assets related
Total	1,629,340.71		72,415.20		1,556,925.51	

25. Share capital

Items	Closing balance at preceding year	Changes during the period (increase (+), decrease (-))					Total	Closing balance
		Issuance of new shares	Bonus shares	Conversion of the capital reserve into shares	Other			
Total share capital	240,930,645.00						240,930,645.00	

26. Capital reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Share premium	323,069,734.88			323,069,734.88
Total	323,069,734.88			323,069,734.88

27. Special reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Safety production fee	24,891,891.10	17,688,006.36	14,100,079.46	28,479,818.00
Total	24,891,891.10	17,688,006.36	14,100,079.46	28,479,818.00

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Surplus reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	80,126,247.00			80,126,247.00
Total	80,126,247.00			80,126,247.00

29. Undistributed profit

Items	Amount of the Current Period	Amount of the Preceding Period
Undistributed profits at the end of previous period before adjustment	609,270,245.99	567,632,085.11
Undistributed profits at the beginning of the period after adjustment	609,270,245.99	567,632,085.11
Add: Net profit attributable to owners of the parent company	-331,748,166.83	46,304,382.91
Less: Appropriation of statutory surplus reserve		4,666,222.03
Undistributed profits at the end of the period	277,522,079.16	609,270,245.99

30. Operating revenue and operating cost

1. Details of Operating revenue and operating cost

Items	Amount of the Current Period		Amount of the Preceding Period	
	Revenue	Cost	Revenue	Cost
Primary businesses	910,120,786.98	758,638,208.26	1,542,807,098.66	1,296,567,826.36
Other businesses	442,550.51	49,612.02	231,618.98	43,451.40
Total	910,563,337.49	758,687,820.28	1,543,038,717.64	1,296,611,277.76

31. Taxes and surcharges

Items	Amount of the Current Period	Amount of the Preceding Period
City maintenance and construction tax	1,595,477.58	1,633,700.92
Education surcharge	1,139,626.85	1,166,930.92
Stamp duty	461,168.20	561,014.01
Property tax	370,876.27	509,015.41
Vehicle and vessel tax	19,620.00	18,910.00
Urban land use tax	28,213.02	11,480.72
Total	3,614,981.92	3,901,051.98

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Selling expenses

Item	Amount of Current Period	Amount of Preceding Period
Salary and benefits	8,120,165.90	6,409,497.08
Bidding fee	2,503,734.94	2,049,918.99
Business entertainment fee	814,186.93	239,543.58
Transportation expenses	217,900.58	98,033.11
Advertising and promotion fee	210,487.33	352,843.44
Office expense	194,005.61	42,807.95
Business traveling expense	114,688.08	138,772.27
Depreciation	22,141.32	24,876.66
Other	633,017.01	914,621.51
Total	12,830,327.70	10,270,914.59

33. Administrative expenses

Item	Amount of Current Period	Amount of Preceding Period
Salary and benefits	11,013,938.39	11,957,365.51
Professional Service fee	10,286,554.36	13,120,068.46
Depreciation and amortization	5,674,885.35	7,237,749.41
Business entertainment fee	2,631,115.38	1,648,221.91
Insurance fee	2,237,078.72	1,255,266.55
Transportation fee	1,015,138.00	891,027.20
Office expense	848,509.85	1,156,093.60
Business traveling expense	682,098.16	872,427.26
Labor protection fee	290,208.38	35,107.79
Other	1,894,844.08	1,090,989.13
Total	36,574,370.67	39,264,316.82

34. Research and development expenses

Item	Amount of Current Period	Amount of Preceding Period
Material	36,210,452.07	50,109,076.92
Salary and benefits	8,661,565.33	9,653,447.07
Loyalty expenses	881,473.45	873,640.23
Depreciation and amortization	243,972.21	302,781.63
Business traveling expense	32,724.64	83,751.22
New product design expenses		1,683,597.35
Research consulting fee		380,271.10
Testing fee		281,536.42
Other	1,120.00	132,932.04
Total	46,031,307.70	63,501,033.98

Explanation: Credit impairment losses are disclosed as positive numbers.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Finance expenses

Items	Amount of the Current Period	Amount of the Preceding Period
Interest expenses	25,615,997.77	27,221,364.47
Including: interest expenses of lease liabilities	57,976.88	120,443.00
Less: interest income	431,636.15	1,258,165.10
Exchange gain and loss	117.75	3,111.62
Other	1,123,505.81	503,083.15
Total	26,307,985.18	26,469,394.14

36. Other income

Items	Amount of the Current Period	Amount of the Preceding Period
Government grants	5,047,930.12	5,770,121.31
Grants of tax authorities for individual income tax withheld	59,493.03	
Total	5,107,423.15	5,770,121.31

37. Investment income

Items	Amount of the Current Period	Amount of the Preceding Period
Investment income from trading financial assets during the holding period	226,051.27	84,575.33
Total	226,051.27	84,575.33

38. Credit impairment losses

Items	Amount of the Current Period	Amount of the Preceding Period
Bad debt losses of accounts receivable	230,783,926.58	108,362,218.00
Bad debt losses of other receivables	2,515,879.71	188,418.27
Impairment loss of prepayment	2,469,589.17	1,029,035.00
Total	236,954,296.82	109,579,671.27

Explanation: Credit impairment losses are disclosed as positive numbers.

39. Impairment loss of assets

Items	Amount of the Current Period	Amount of the Preceding Period
Impairment loss of contract assets	194,379,480.50	-49,040,953.73
Total	194,379,480.50	-49,040,953.73

Explanation: Impairment loss of assets are disclosed as positive numbers.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Gains on disposal of assets

Items	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profit or loss
Gain on disposal of the fixed asset		1,500,917.59	
Total		1,500,917.59	

41. Non-operating income

Items	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profits and losses
Payable not applicable to pay	2,795,038.22		2,795,038.22
Other	3,678,073.32	93,665.81	3,678,073.32
Total	6,473,111.54	93,665.81	6,473,111.54

42. Non-operating expense

Items	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profits and losses
Donation to external parties	210,000.00		210,000.00
Damages and indemnity	2,206,391.93		2,206,391.93
Loss on scraping of the non-current assets	4,783.10		4,783.10
other	92,500.02	257,652.99	92,500.02
Total	2,513,675.05	257,652.99	2,513,675.05

43. Income tax expenses

1. List of income tax expenses

Items	Amount of the Current Period	Amount of the Preceding Period
Current income tax	605,436.16	12,338,665.97
Deferred income tax	-64,381,591.70	-8,969,411.00
Total	-63,776,155.54	3,369,254.97

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Income tax expenses (Continued)

2. Explain of the relationship of income Tax Expenses and accounting profit

Items	Amount of the Current Period
Total profit	-395,524,322.37
Income tax expenses calculated at the applicable tax rate	-59,328,648.36
Different tax rate of subsidiaries	-49,804.13
Adjustment on previous income tax	
Expenses not deductible for tax purposes	402,052.69
Utilisation of previously unrecognised tax losses	
Unrecognised deductible temporary difference and deductible tax loss	378,766.23
The additional deduction on research and development expenses	-5,178,522.12
Total income tax expenses	-63,776,155.54

44. Earnings per share

1. Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of Common shares issued by the company:

Items	Amount of the Current Period	Amount of the Preceding Period
Consolidated net profit attributable to common shareholders of the parent company	-331,748,166.83	46,304,380.88
Weighted average number of common shares issued by the company	240,930,645.00	229,383,530.64
Basic earnings per share	-1.38	0.20
Including: Basic earnings per share of continuing operation	-1.38	0.20
Basic earnings per share of discontinuing operation	—	—

2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit (diluted) attributable to the common shareholders of the parent company by the weighted average Number (diluted) of the common shares issued by the company:

Items	Amount of the Current Period	Amount of the Preceding Period
Consolidated net profit attributable to common shareholders of the parent company (diluted)	-331,748,166.83	46,304,380.88
Weighted average number of common shares issued by the company (diluted)	240,930,645.00	229,383,530.64
Diluted earnings per share	-1.38	0.20
Including: Diluted earnings per share of continuing operation	-1.38	0.20
Diluted earnings per share of discontinuing operation	—	—

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Information of cash flow statement

1. Other cash received relating to operating activities

Items	Amount of the Current Period	Amount of the Preceding Period
Interest income	431,636.15	1,258,165.10
Government grants	5,048,289.60	6,313,800.00
Current account balance and others	134,403,122.10	261,222,240.62
Total	139,883,047.85	268,794,205.72

2. Other cash paid relating to operating activities

Items	Amount of the Current Period	Amount of the Preceding Period
Cash payment of administrative expense	19,690,099.73	12,844,810.24
Cash payment of selling expense	3,287,068.80	826,781.38
Cash payment of R&D	643,659.00	970,203.16
current account balance and others	117,278,271.67	348,709,924.33
Total	140,899,099.20	363,351,719.11

3. Other cash receipt related to financing activities

Items	Amount of the Current Period	Amount of the Preceding Period
Deposit	24,536,805.91	6,910,982.03
Total	24,536,805.91	6,910,982.03

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Items	Amount of the Current Period	Amount of the Preceding Period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	-331,748,166.83	46,304,382.91
Add: Impairment loss of credit	236,954,296.82	109,579,671.27
Impairment loss of assets	194,379,480.50	-49,040,953.73
Provision for impairment of assets		
Depreciation of fixed assets	4,067,780.19	4,313,828.86
Depreciation of productive biological asset		
Depletion of oil and gas assets		
Depreciation of right of use	689,026.91	961,576.00
Amortisation of intangible assets	2,073,301.62	2,058,695.41
Amortisation of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-"for Gain)		-1,500,917.59
Loss on scrapped fixed assets ("-"for Gain)	4,783.10	
Loss on change in fair value ("-"for gain)		
Financial expenses ("-"for gain)	25,615,997.77	26,469,394.14
Investment loss ("-"for gain)	-226,051.27	-84,575.33
Decrease in deferred tax assets ("-"for increase)	-64,381,591.70	-8,969,410.86
Increase in deferred tax liabilities ("-"for decrease)		
Decrease in inventories ("-"for increase)	1,684,387.00	-1,684,387.00
Decrease of operating receivables ("-"for increase)	180,549,278.78	-203,314,283.58
Increase of operating payables ("-"for decrease)	-256,342,058.16	56,620,190.47
Other		
Net cash flows from operating activities	-6,679,534.81	-18,286,789.03
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	110,600,765.32	254,590,543.34
Less: cash at the beginning of period	254,590,543.34	180,058,540.29
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	-143,989,778.02	74,532,003.05

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Supplementary information of cash flow statements (Continued)

2. The composition of cash and cash equivalents

Items	Closing balance	Closing balance at preceding year
1. cash	110,600,765.32	254,590,543.34
Inc.: Cash in hand	27,095.90	18,288.90
Bank deposit available for payment at any time	110,573,669.42	254,572,254.44
Other monetary funds available for payment at any time		
Deposits in central banks available for payment		
Deposit in other banks		
Loan to other banks		
2. Cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of the period	110,600,765.32	254,590,543.34
Including: Restricted cash and cash equivalents within the parent company or the subsidiaries		

47. Assets with title or use right restrictions

Items	Closing amount	Reason for restrictions
Monetary capital	48,914,674.04	Pledged for bank facility, deposit, judiciary freeze
Account receivable	141,248,664.81	Pledged for bank facility
Total	190,163,338.85	

48. Foreign currency monetary items

Items	Foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand	33,062.47	0.8416	27,826.70
Inc: USD			
Euro			
HKD	33,062.47	0.8416	27,826.70

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Government grants

1. Government grants related to assets

Type	Amount	Items presented in the balance sheet	Amount included in current profit and loss or offset loss, costs and expense		Item included in current profit and loss or offset loss, costs and expense
			Amount of the Current Period	Amount of the Preceding Period	
Subsidy for property-purchase	1,979,700.00	Deferred income	72,415.20	72,415.20	Other income

2. Government grants related to income

Type	Amount	Amount included in current profit and loss or offset loss, costs and expense		Items included in current profit and loss or offset loss, costs and expense
		Amount of the Current Period	Amount of the Preceding Period	
Key management insurance	399,000.00	399,000.00		Other income
2020 Employment stabilization subsidy	30,198.96	30,198.96		Other income
2018 Shenzhen second patent application subsidy	6,000.00	6,000.00		Other income
2019 Futian 82nd pre-job training subsidy	6,400.00	6,400.00		Other income
Construction decoration R&D cost subsidy	2,000,000.00	2,000,000.00		Other income
Protection gear subsidy	20,000.00	20,000.00		Other income
2019 first enterprise R&D subsidy	2,015,000.00	2,015,000.00		Other income
Return-job Employment stabilization subsidy	50,000.00	50,000.00		Other income
7st patent subsidy for hi-tech in cosmopolitan science district	6,000.00	6,000.00		Other income
2020 futian control-COVID-19 Employment stabilization new-recruited staff subsidy	2,000.00	2,000.00		Other income
2020 futian 80st pre-job training subsidy	7,800.00	7,800.00		Other income
2020 medium and small-sized enterprise Employment stabilization subsidy	3,115.96	3,115.96		Other income
2019 construction decoration design prize for designer	250,000.00	250,000.00		Other income
2020 futian industry development specific fund 2nd subsidy-granted enterprise	150,000.00	150,000.00		Other income
2020 futian industry development specific fund 2nd subsidy-granted enterprise	30,000.00	30,000.00		Other income

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

VI. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

1. Structure of the Group

Name of the subsidiary	Business operating location	Registration place	Business nature	Shareholding percentage (%)		Way On procurement
				Direct	Indirect	
Jingdi Industrial (Shenzhen) Company Limited	Shenzhen	Shenzhen	Trading	100.00		Investment
Adway Construction Engineering Design (Shenzhen) Company Limited	Shenzhen	Shenzhen	Project design	100.00		Investment
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	Hui zhou	Huizhou	Trading	100.00		Investment
Huidong Yip's Development Company Limited	Hui zhou	Huizhou	Decoration	100.00		Investment
Adway Construction (Hong Kong) Limited	Hong Kong	Hong Kong	Decoration	100.00		Investment

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of its business: credit risk, liquidity risk and market (including foreign exchange risk, interest risk and other price risk). The risks associated with these financial instruments and the risk management policies adopted by the company to reduce these risks are as follows:

The board of directors is responsible for planning and establishing the company's risk management structure, formulating the company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The company has formulated risk management policies to identify and analyze the risks faced by the company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The company regularly evaluates the market environment and changes in the company's business activities to determine whether to update the risk management policy and system. The company's risk management is carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business departments of the company to ensure, evaluate and avoid related risks. The internal audit department of the company conducts regular audits on risk management control and procedures, and reports the audit results to the audit committee of the company.

The company diversifies the risk of financial instruments through appropriate diversified investment and business portfolios, and formulates corresponding risk management policies to reduce the risk of concentration in a single industry, specific region or specific counterparty risk.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(Continued)*

(I) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit risk mainly arises from cash at bank, notes receivables, accounts receivables, other receivables, debt investment, other debt investment and financial guarantee contract, as well as the debt instruments investment and derivative financial assets at fair value that are not included in the impairment assessment etc. As at the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivables, accounts receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(II) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonable foreseeable circumstances. while maintaining sufficient headroom on its undrawn Committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits Or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

(III) Marker risk

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price. Market risk includes exchange rate risk, interest rate risk and other price risk. Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The company tries to match the income and expenditure in foreign currencies in order to reduce the exchange rate risk. During the period and the previous period, the Company has not entered into any forward exchange contract or currency swap contract.

VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

(I) Details of parent company

Mr. Ye Yujing and Ms. Ye Xiujin (together, "Mr. & Mrs. Ye") collectively held 34.53% of voting shares capital in the Company, are the controlling shareholders and actual controllers of the Company.

(II) Details on the Company's subsidiaries

Please refer to (VI). 'Interests in other entities' for details on the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

(III) Details on other related parties

Name of other related parties	Relation between other related parties and the company
Ye Guofeng	Family member who has a close relationship with the ultimate actual controller of the Company, executive director of the Company
Liu Yilun	Former executive director of the Company
Ye Niangting	Executive director of the Company
Ye Jiajun	Family member who has a close relationship with the ultimate actual controller of the Company, executive director of the Company
Li Yuanfei	Non-executive director of the Company
Zhai Xin	Independent Non-executive director of the Company
Cheung Wai Yeung Michael	Independent Non-executive director of the Company
Lin Zhiyang	Independent Non-executive director of the Company
Ye Weizhou	Supervisors of the Company
Zu Li	Supervisors of the Company
Tian Wen	Supervisors of the Company
Kou Yue	Senior management of the Company

(IV) Related party transactions

1. Related party guarantees

The Company being as the guaranteed party:

Name of guarantor	Guaranteed amount	Guarantee start day	Guarantee due date	Whether guarantee has been fulfilled
Ye Yujing	120,000,000.00	2020/5/29	2023/5/28	No
Ye Yujing, Ye Xiujin, Ye Guofeng	80,000,000.00	2020/7/6	2024/6/16	No
Ye Yujing, Ye Xiujin, Ye Guofeng	150,000,000.00	2020/7/6	2024/6/16	No
Ye Yujing, Ye Xiujin	80,000,000.00	2020/12/20	2022/12/19	No
Ye Yujing, Ye Xiujin	75,000,000.00	2020/2/10	2023/1/23	No
Ye Yujing, Ye Xiujin	40,000,000.00	2020/3/2	2023/3/1	No
Ye Yujing, Ye Xiujin	50,000,000.00	2020/4/24	2024/4/24	No
Ye Xiujin	100,000,000.00	2019/11/28	2021/11/28	No
Ye Yujing, Ye Xiujin	50,000,000.00	2020/9/2	2021/7/10	No

2. Key management remuneration

Items	Amount of the Current Period	Amount of the Preceding Period
Key Management remuneration	2,707,079.93	2,921,206.02

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

IX. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

No significant commitments need to be disclosed as of 31 December 2020.

(II) Contingencies

No significant contingencies need to be disclosed as of 31 December 2020.

X. POST BALANCE SHEET EVENTS

No significant post balance sheet events need to be disclosed as of 30 March 2021.

XI. OTHER POST BALANCE SHEET EVENTS

(I) Leases

1. Company as a Lessee

Items	Amount of the Current Period	Amount of the Preceding Period
Interest expense on lease liabilities	115,183.61	120,443.00
Income from sublease of right of use assets		
Total cash outflow related to lease	753,909.97	406,969.00

The amounts disclosed below represent future lease payments for leases committed but not yet commenced for the Company.

Remaining lease term	Undiscounted lease payment
Within 1 year	804,433.95
1-2years	540,143.94
2-3 years	314,365.22
Above 3 years	36,000.00
Total	1,694,943.11

2. Company as a leaser

(1) Operating lease

Item	Amount of the Current Period	Amount of the Preceding Period
Operating lease income	322,095.18	231,618.98

The undiscounted lease receipts to be received after the balance sheet date are as Follows:

Remaining lease term	Undiscounted lease receipts
Within 1 year	213,000.00
Total	213,000.00

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Notes receivable

1. Category of notes receivable

Items	Closing balance	Closing balance at preceding year
Bank acceptance bills	10,247,710.52	1,900,000.00
Commercial acceptance bills	12,507,408.22	18,649,952.88
Total	22,755,118.74	20,549,952.88

2. Endorsed or discounted notes receivable that are not mature on balance sheet date at the end of the period

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	—	9,806,239.10
Commercial acceptance bills	—	6,832,082.72
Total	—	16,638,321.82

(II) Account receivable

1. Account receivable shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year	176,899,528.99	983,075,763.93
1 year to 2 years	459,858,633.84	135,614,131.81
2 years to 3 years	119,163,232.17	99,532,461.62
3 years to 4 years	82,756,222.44	72,043,383.66
4 years to 5 years	64,389,529.08	17,204,776.43
Over 5 years	105,888,233.89	97,378,976.86
Subtotal	1,008,955,380.41	1,404,849,494.31
less: bad debt provision	401,179,548.24	170,395,621.66
Total	607,775,832.17	1,234,453,872.65

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Account receivable (Continued)

2. Classification of account receivables by basis of the bad debt provision made

Type	Closing balance					Closing balance at preceding year				
	Gross carrying amount		Bad debt provision		Net carrying amount	Gross carrying amount		Bad debt provision		Net carrying amount
	amount	proportion (%)	amount	proportion (%)		amount	proportion (%)	amount	proportion (%)	
Accounts receivable with bad debt provision based on an individual basis	245,039,692.55	24.29	245,039,692.55	100.00			111,129,145.86	7.91	111,129,145.86	100.00
Accounts receivable with bad debt provision based on a collective basis	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17	1,293,720,348.45	92.09	59,266,475.80	4.58	1,234,453,872.65
Inc: aging portfolio	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17	1,293,720,348.45	92.09	59,266,475.80	4.58	1,234,453,872.65
Total	1,008,955,380.41	100.00	401,179,548.24		607,775,832.17	1,404,849,494.31	100.00	170,395,621.66		1,234,453,872.65

3. Accrued, reversal and recovery of provision for bad debt in the current period

Type	Closing balance at preceding year	Movement in the period			Closing balance
		provision made	reversed or recovered	Charged off or written off	
Provision for bad debts on an individual basis	111,129,145.86	133,910,546.69			245,039,692.55
Provision for bad debts on a collective basis	59,266,475.80	96,873,379.89			156,139,855.69
Total	170,395,621.66	230,783,926.58			401,179,548.24

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Account receivable (Continued)

3. Accrued, reversal and recovery of provision for bad debt in the current period (Continued)

Significant provision for bad debt made based on an individual basis:

Name	Closing balance			Reasons for provision
	Gross carrying amount	Bad debt provision	% of total balance	
Nanyang Zhongtai Property development Ltd	30,620,359.35	30,620,359.35	100.00%	Expected to be unrecoverable as the customer is in financial difficulty
Chongqing Nengtou Property Ltd	27,418,863.26	27,418,863.26	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Qinghai Xinhua Merchandise Commercial Ltd	23,406,746.91	23,406,746.91	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Shenzhen Futian Bureau of public works	18,100,766.66	18,100,766.66	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Shenzhou Great Wall International Engineering Ltd	17,340,677.02	17,340,677.02	100.00%	Expected to be unrecoverable as the customer went bankruptcy
Zunyi Xin Ao Property development Ltd	17,303,217.74	17,303,217.74	100.00%	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Gansu Jincheng 5th tourism investment Ltd	15,847,404.78	15,847,404.78	100.00%	Expected to be unrecoverable as the customer is in financial difficulty
TOTAL	150,038,035.72	150,038,035.72		

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Account receivable (Continued)

3. Accrued, reversal and recovery of provision for bad debt in the current period (Continued)

Provision for bad debt accrued on collective basis:

Account receivables with provision made on a collective basis with aging portfolio:

	Closing balance		
	Account receivables	Bad debt provision	% of total balance
Within 1 year	162,187,992.68	8,109,399.63	5.00
1-2 years	388,755,421.71	38,875,542.17	10.00
2-3 years	101,167,527.61	30,350,258.28	30.00
3-4 years	53,764,139.95	26,882,069.98	50.00
4-5 years	30,590,101.42	24,472,081.14	80.00
Above 5 years	27,450,504.49	27,450,504.49	100.00
Total	763,915,687.86	156,139,855.69	

4. The top 5 debtors of account receivables at the end of the period

Debtors	Closing balance		
	Account receivable	Proportion of total account receivables (%)	Bad debt provision
Linyi Dongfang Xinjiyuan Property Cost., Ltd	186,351,900.39	18.47	18,633,442.21
Zhong jian Installation engineering cost., Ltd	49,904,801.74	4.95	4,990,470.60
Shenzhen xinrunyuan property development cost., Ltd	36,651,150.58	3.63	9,555,089.54
Nanyang Zhongtai property development Ltd	30,620,359.35	3.03	30,620,359.35
Chongqing nengtou property cost., Ltd	27,418,863.26	2.72	27,418,863.26
Total	330,947,075.32	32.80	91,218,224.96

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Other receivables

Items	Closing balance	Closing balance at preceding year
Other receivable	35,844,377.50	62,771,849.98
Total	35,844,377.50	62,771,849.98

1. Other receivable

(1) Other receivables shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year	18,047,870.18	38,971,537.18
1-2 years	6,220,427.85	7,547,620.80
2-3 years	2,632,019.99	2,951,655.64
3-4 years	2,596,453.26	992,585.88
4-5 years	755,651.74	27,733,998.25
Over 5 years	23,533,381.96	
Sub-total	53,785,804.98	78,197,397.75
Less: Bad debt provision	17,941,427.48	15,425,547.77
Total	35,844,377.50	62,771,849.98

(2) Classification of other receivables by basis of bad debt provision made

Type	Closing balance					Closing balance at preceding year				
	Gross carrying amount		Bad debt provision		Net carrying amount	Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with the provision for bad debt based on an individual basis	10,136,523.40	18.85	10,136,523.40	100.00			11,321,424.76	14.48	11,321,424.76	100.00
Other receivables with the provision for bad debt made based on a collective basis	43,649,281.58	81.15	7,804,904.08	17.88	35,844,377.50	66,875,972.99	85.52	4,104,123.01	6.14	62,771,849.98
Inc: aging portfolio	31,817,878.04	59.16	7,804,904.08	17.88	24,012,973.96	55,033,913.50	70.38	4,104,123.01	6.14	50,929,790.49
Related parties in the scope of consolidation	11,831,403.54	21.99			11,831,403.54	11,842,059.49	15.14			11,842,059.49
Total	53,785,804.98	100.00	17,941,427.48		35,844,377.50	78,197,397.75	100.00	15,425,547.77		62,771,849.98

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Other receivables (Continued)

1. Other receivable (Continued)

(3) Details of accrued bad debt provision

Bad debt provision	First stage Expected credit loss in the next 12 month	Second stage Expected credit loss over the duration (no credit impairment occurred)	Third stage Expected credit loss Over the duration (credit impairment occurred)	Total
Closing balance of the preceding year	4,104,123.01		11,321,424.76	15,425,547.77
Opening balance in the current period				
— transfer to second stage				
— transfer to third stage				
— transfer back to second stage				
— transfer back to first stage				
Accrued in current period	3,700,781.07			3,700,781.07
Reversal in current period				
Resale in current period			-1,184,901.36	-1,184,901.36
Written-off in current period				
Other changes				
Closing Balance	7,804,904.08		10,136,523.40	17,941,427.48

(4) Bad debt provision accrued, reversal and recovery in the current period

Type	Closing balance at preceding year	Movement in the period			Closing balance
		Provision made	Reversed or received	Charged off or written off	
Provision for bad debts on an individual basis	11,321,424.76			-1,184,901.36	10,136,523.40
Provision for bad debts on a collective basis	4,104,123.01	3,700,781.07			7,804,904.08
Total	15,425,547.77	3,700,781.07		-1,184,901.36	17,941,427.48

(5) Classification of other receivables by nature

Nature of receivables	Net carrying amount at the end of the current period	Net carrying amount at the end of the preceding year
Deposit	39,904,116.56	56,251,059.84
Reserve fund	468,694.82	466,814.65
Current account	12,723,508.20	17,035,291.91
Others	689,485.40	4,444,231.35
Total	53,785,804.98	78,197,397.75

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Other receivables (Continued)

1. Other receivable (Continued)

(6) The top 5 debtors of the other receivables at the end of the period

Name of debtor	Nature of the amount	Closing balance	Aging	Proportion of the closing balance of other receivable (%)	Closing balance of impairment provision
Sanya zhongtie property cost., Ltd	Guarantee monies for bidding	4,424,588.00	More than 5 years	10.55	4,424,588.00
Chongqing Henggao Property development Ltd	Guarantee monies for bidding	3,000,000.00	More than 5 years	7.15	3,000,000.00
Shenzhen pengcheng construction group cost., Ltd	Guarantee monies for performance	2,000,000.00	3-4years	4.77	1,000,000.00
Qinghai Xinhua merchandise business group cost., Ltd	Guarantee monies for bidding	1,500,000.00	More than 5 years	3.58	1,500,000.00
Beijing xinrun zhiyuan property development Cost., Ltd	Guarantee monies for performance	1,500,000.00	Within 1 year	3.58	75,000.00
Total		12,424,588.00		29.61	9,999,588.00

(IV) Long term equity investment

Items	Closing balance			Closing balance at preceding year		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Investment in subsidiaries	11,103,427.00	931,611.36	10,171,815.64	11,103,427.00	768,176.65	10,335,250.35
Total	11,103,427.00	931,611.36	10,171,815.64	11,103,427.00	768,176.65	10,335,250.35

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Long term equity investment (Continued)

1. Investment in the subsidiaries

Invested entities	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance	Impairment provision accrued in the current period	Closing balance of impairment provision
Jingdi Industrial (Shenzhen) Company Limited	10,095,000.00			10,095,000.00	353,208.47	910,407.32
Huidong Yip's Development Company Limited	500,000.00			500,000.00		
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	500,000.00			500,000.00	3,247.89	12,777.04
Adway Construction (Hong Kong) Limited	8,427.00			8,427.00	8,427.00	8,427.00
Total	11,103,427.00			11,103,427.00	364,883.36	931,611.36

(V) Operating revenue and operating cost

Items	Amount of the Current Period		Amount of the Preceding Period	
	Revenue	Cost	Revenue	Cost
Primary business	910,120,786.98	758,638,208.26	1,542,807,098.66	1,296,567,826.36
Other business	442,550.51	49,612.02	231,618.98	43,451.40
Total	910,563,337.49	758,687,820.28	1,543,038,717.64	1,296,611,277.76

(VI) Investment income

Items	Amount of the Current Period	Amount of the Preceding Period
Investment income received during the period of ownership from trading financial assets	226,051.27	84,575.33
Total	226,051.27	84,575.33

NOTES TO FINANCIAL STATEMENTS (Continued)

(Unless otherwise stated, all amounts are denominated in RMB)

XIII. SUPPLEMENTARY INFORMATION

(I) Breakdown of non-recurring gain or loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	4,783.10	
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	5,048,289.60	
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	226,051.27	
Impairment provision Reversal of provisions for impairment of account receivables and contract assets individually subjected to impairment test	29,645,967.51	
Other non-operating income and expenses other than the aforementioned items	3,964,219.59	
Other items of gain or loss in accordance with the definition of non-recurring gain or loss		
Sub-total	38,889,311.07	
Impact of income tax	-5,833,396.66	
Total	33,055,914.41	

(II) Net asset yield and earnings per share:

Profits of the reporting period	Weighted average net asset yield	Earnings per share (RMB)	
	(%)	Basic	diluted
Net profit attributable to ordinary shareholders of the Company	-29.77	-1.38	-1.38
Net profit attributable to ordinary shareholders net of non-recurring gain or loss	-32.74	-1.51	-1.51