廣東愛得威建設（集團）股份有限公司

GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

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

Stock code: 6189

Interim Report 2017

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生)
Mr. LIU Yilun (劉奕倫先生)
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

Mr. TIAN Wen (田文先生)

Independent Non-Executive Directors

Mr. WANG Zhaowen (王肇文先生)
Mr. TANG Wai Man Raymond (鄧偉文先生)
Mr. LIN Zhiyang (林志揚先生)

SUPERVISORS

Mr. ZU Li (祖力先生)
Mr. WU Hanguang (吳漢光先生)
Mr. YE Xian (葉縣先生)

AUDIT COMMITTEE

Mr. TANG Wai Man Raymond (鄧偉文先生) *(Chairman)*
Mr. WANG Zhaowen (王肇文先生)
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)
Mr. WANG Zhaowen (王肇文先生)

REMUNERATION COMMITTEE

Mr. WANG Zhaowen (王肇文先生) *(Chairman)*
Mr. YE Guofeng (葉國鋒先生)
Mr. TANG Wai Man Raymond (鄧偉文先生)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
Mr. WANG Zhaowen (王肇文先生)
Mr. LIN Zhiyang (林志揚先生)
Mr. LIU Yilun (劉奕倫先生)
Mr. YE Guofeng (葉國鋒先生)

AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)
Ms. KOU Yue (寇悦女士)

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

China Construction Bank
Bank of China
China Minsheng Bank

JOINT COMPANY SECRETARIES

Mr. LIU Yilun (劉奕倫先生)
Ms. KOU Yue (寇悦女士) *(FCCA, CPA, MAcc)*

REGISTERED OFFICE IN HONG KONG

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

STOCK CODE

6189

COMPANY'S WEBSITE

http://www.aidewei.cn

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2017, the national construction industry's output value exceeded RMB8 trillion, increased by 10.9% compared to the previous year according to the report of the National Bureau of Statistics of China, which has demonstrated a favorable growth trend. The construction industry is a national economic pillar industry, with large scale but a low level of informatization. Informatization has ushered in a new round of revolution with the introduction of information technology, which will effectively promote construction quality and production efficiency.

BUSINESS REVIEW

After the successful listing on the Main Board of the Stock Exchange, Guangdong Adway Construction (Group) Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") has strengthened its operating efforts and continued to commit itself to new projects and has achieved better results in the first half of 2017.

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), 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.

The Group has established a wide range of operations. As of 30 June 2017, there are 24 branch offices and representative offices in 19 provinces, autonomous regions and municipalities (in the first half of 2017, the Group established one new branch office).

In the first half of 2017, the Group has signed 73 new contracts with a value of more than RMB1 million each, 10 contracts with a value of more than RMB10 million each, and 4 contracts with a value of more than RMB50 million each.

As of 30 June 2017, the Group carried out 283 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB3.83 billion, including 68 projects with a contract value of more than RMB10 million each and 11 projects with a contract value of more than RMB50 million each.

FUTURE PROSPECT

The Group will continue to work on business development in the second half of 2017, and the Group believes that the following strategies will help to further enhance its competitiveness and operating results:

1. The Group will further expand its operating network in the PRC. The Group is expected to establish 1 branch office in the second half of 2017.

2. The Group has established a centralized purchasing system for the procurement of major raw materials. The Group will further increase its strategic cooperation with quality suppliers to reduce the cost of raw materials and improve the efficiency of the procurement process in order to improve the Group's business efficiency.

3. The Group will strengthen its research and design capabilities, improve the Group's informatization, and enhance the operating efficiency with scientific and technological innovation. The Group intends to strengthen the research of products and technologies that are safer, more environmentally friendly, contributing to enhancing the operating efficiency and project quality of the Group. At the same time, strengthening the research of on-site application of products technologies will help enhance the Group's image and competitiveness. The Group has launched its informatization construction program in the first half of 2017, which will achieve its initial results in the second half of 2017. This will strengthen project management and improve efficiency, which is of great significance to the development of the Group.

4. The Group will actively respond to the country's "The Belt and Road" strategy, using "going global" as a new starting point for the Company's business development, open up overseas markets within the scope of business to seek new breakthroughs.

FINANCIAL REVIEW

The Group's revenue and profit attributable to equity shareholders for the six months ended 30 June 2017 amounted to RMB745.6 million and RMB49.7 million respectively (six months ended 30 June 2016: RMB746.2 million and RMB44.3 million), representing no significant fluctuation in revenue and an increase of 12.2% in profit attributable to equity shareholders respectively. Gross profit for the six months ended 30 June 2017 amounted to RMB94.6 million (six months ended 30 June 2016: RMB91.6 million), representing a gross profit margin of approximately 12.7% (six months ended 30 June 2016: 12.3%) and representing an increase in gross profit of 3.3%. Such increase was mainly due to the commencement of one project with both higher contract value (with contract value of over 230 million) and higher gross profit margin at 13.5%. Operating profit for the six months ended 30 June 2017 was RMB71.9 million (six months ended 30 June 2016: RMB59.8 million) or 9.6% (six months ended 30 June 2016: 8.0%) of revenue, representing an increase of 20.1% in operating profit. Besides for the increase in gross profit, such increase in operating profit was mainly due to the significant reduction (i) in provision for foreseeable losses on construction contract due to the better credit control during the six months ended 30 June 2017 (ii) in consulting and professional fees because the consulting fee in optimizing the marketing program that occurred during the six months ended 30 June 2016 was one-off in nature. Net profit for the six months ended 30 June 2017 was RMB49.7 million (six months ended 30 June 2016: RMB44.3 million) or 6.7% (six months ended 30 June 2016: 5.9%) of revenue.

For the six months ended 30 June 2017, earnings per share was RMB23.57 cents (six months ended 30 June 2016: RMB27.99 cents), representing a decrease of 15.8% in earnings per share. Such decrease in earnings per share was mainly due to the increase of number of shares issued.

LIQUIDITY AND FINANCIAL RESOURCES

The increase of the Group's cash and cash equivalents is primarily due to the increase of interest-bearing bank borrowings. As of 31 December 2016 and 30 June 2017, the Group had cash and cash equivalents of approximately RMB287.6 million and approximately RMB318.0 million, respectively.

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

The amounts due from customers for contract work increased from approximately RMB763.7 million as of 31 December 2016 to approximately RMB925.2 million as of 30 June 2017, representing an increase of 21.1%. The level of the amounts due from customers for contract work as of a given reporting date is mainly affected by the duration between its submission of interim progress payment and the endorsement on the project progress report. Such increase was mainly due to the commencement of three projects with higher contract value (each with total contract value of over 100 million) for the six months ended on 30 June 2017.

Trade and other payables decreased from approximately RMB417.8 million as of 31 December 2016 to approximately RMB308.6 million as of 30 June 2017, representing a decrease of 26.1% primarily due to a decrease in the trade payables because of our timely settlement due to better payment control during the six months ended on 30 June 2017 and a decrease in advances from customers because the advances from customers received in 2016 were partially offset due to the work performed by us in 2017.

CHARGES ON ASSETS

As of 30 June 2017, bank borrowings of RMB527,000,000 (31 December 2016: RMB230,000,000) were secured by pledge of the Group's certain property and equipment, land use rights, investment properties and trade receivables.

CAPITAL STRUCTURE

The Company's issued share capital as of 30 June 2017 is RMB211,050,000 divided into 211,050,000 shares of RMB1.00 each.

As of 30 June 2017, the Group relied on interest-bearing bank borrowings in the amount of approximately RMB609.0 million (31 December 2016: approximately RMB310.0 million) which are repayable within 1 year. As of 30 June 2017, the Group did not have any intercompany borrowings.

The gearing ratio was 25.9% as of 30 June 2017 while the ratio as of 31 December 2016 was 2.8%. The increase was mainly attributable to an increase in the total bank borrowings.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR AFFILIATED COMPANIES

The Group has not made any acquisitions or disposals of subsidiaries during the period.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 pursuant to the resolution passed by the Board on 25 August 2017.

USE OF PROCEEDS

The Company's H shares were listed and commenced trading on the Stock Exchange on 25 November 2016, with net proceeds of approximately HK$228.1 million (amounted to approximately RMB203.4 million) after deducting relevant listing expenses. As of 30 June 2017, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus dated 15 November 2016. As of 30 June 2017, RMB 96.3 million have been utilized and the remaining RMB107.1 million of the remaining net proceeds are deposited in bank accounts.

EMPLOYEES

As of 30 June 2017, the Company had 297 employees. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. This policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

FLUCTUATION OF RMB EXCHANGE RATE AND FOREIGN EXCHANGE RISKS

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

The Group currently has no hedging policy with respect to the foreign exchange risks, therefore, the Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

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

As of 30 June 2017, the interests or short positions of the Directors, Supervisors and the chief executive officer 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 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 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 (Domestic Shares)	42.77%	32.07%
	Interest of spouse	15,504,000 (Domestic Shares)	9.79%	7.35%
YE Xiujin (葉秀近) (Note 4)	Beneficial Owner	15,504,000 (Domestic Shares)	9.79%	7.35%
	Interest of spouse	67,694,000 (Domestic Shares)	42.77%	32.07%
YE Xian (葉縣) (Note 5)	Beneficial Owner	10,336,000 (Domestic Shares)	6.53%	4.90%
YE Guofeng (葉國鋒) (Note 6)	Interest in a controlled corporation	8,075,000 (Domestic Shares)	5.10%	3.83%

Notes:

1. The calculation is based on the percentage of Shareholdings in Domestic Shares.

2. The calculation is based on the total number of 211,050,000 Shares in issue after the Global Offering.

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

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

5. Mr. YE Xian is the Supervisor of the Company.

6. Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳共享利投資企業（有限合夥）) ("**Shenzhen Gong Xiang Li**"), a limited partnership entity established under the PRC laws of which Mr. YE Weiqing (葉偉青) is its executive partner, is owned as to 66.32% by Mr. YE Guofeng, our Executive Director. In light of the above, Mr. YE Weiqing and Mr. YE Guofeng are deemed to be interested in all the Shares held by Shenzhen Gong Xiang Li.

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

As of 30 June 2017, so far as the Directors, Supervisors and the chief executive officer of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of SFO, the substantial Shareholders and other persons 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)
YE Yujing (葉玉敬) (Note 3)	Domestic Shares	Beneficial Owner	67,694,000	42.77%	32.07%
		Interest of spouse	15,504,000	9.79%	7.35%
YE Xiujin (葉秀近) (Note 4)	Domestic Shares	Beneficial Owner	15,504,000	9.79%	7.35%
		Interest of spouse	67,694,000	42.77%	32.07%
South China Sea LP (Note 5)	Domestic Shares	Beneficial Owner	17,000,000	10.74%	8.06%
Shenzhen Co-Win Asset (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Shenzhen Co-Win Venture Capital (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Shenzhen Co-Win Jinxiu Asset (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Zheng Wei He (鄭偉鶴) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Huang Li (黃荔) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Ding Bao Yu (丁寶玉) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
YE Xian (葉縣) (Note 6)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.90%
YE Bingquan (葉炳權)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.90%
Shenzhen Gong Xiang Li (Note 7)	Domestic Shares	Beneficial Owners	8,075,000	5.10%	3.83%
YE Guofeng (葉國鋒) (Note 7)	Domestic Shares	Interest in a controlled corporation	8,075,000	5.10%	3.83%
YE Weiqing (葉偉青) (Note 7)	Domestic Shares	Interest in a controlled corporation	8,075,000	5.10%	3.83%

Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares.

2. The calculation is based on the total number of 211,050,000 Shares in issue after the Global Offering.

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

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

5. 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 of 30 June 2017, (i) Shenzhen Co-Win Jinxiu Asset; (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset. Shenzhen Co-Win Asset, a limited liability company established under PRC laws on 27 December 2010 is owned as to 35.6% by Shenzhen Co-Win Venture

Capital, 15.9% by Zheng Wei He, 15.9% by Huang Li, 10.5% by Shenzhen Co-Win Victory LP, 7.1% 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, 4.5% by Ding Bao Yu, 2.6% by Ma Weiguo (馬衛國), 1.2% by Tang Zhongcheng (唐忠誠), with the remaining 6.7% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

6. Mr. YE Xian is the Supervisor of the Company.

7. Shenzhen Gong Xiang Li, a limited partnership entity established under the PRC laws of which Mr. YE Weiqing is its executive partner, is owned as to 66.32% by Mr. YE Guofeng, our Executive Director. In light of the above, Mr. YE Weiqing and YE Guofeng are deemed to be interested in all the shares held by Shenzhen Gong Xiang Li.

CHANGES IN DIRECTORS' AND SUPERVISOR'S INFORMATION

Change in information on Directors since the date of the of the Annual Report 2016 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. LI Bingren resigned as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee, a member of the nomination committee and a member of the strategy committee, with effect from the conclusion of the Annual General Meeting (the "**AGM**") dated 31 May 2017.

Mr. FUNG Yat Sang resigned as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee, with effect from the conclusion of the AGM dated 31 May 2017.

Mr. LUO Jianming resigned as a Supervisor, with effect from the conclusion of the AGM dated 31 May 2017.

Mr. WANG Zhaowen was appointed and approved by the shareholders at the AGM as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee, a member of the nomination committee and a member of the strategy committee, with effect from the conclusion of the AGM dated 31 May 2017.

Mr. TANG Wai Man Raymond was appointed and approved by the shareholders at the AGM as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee, with effect from the conclusion of the AGM dated 31 May 2017.

Mr. ZU Li was appointed and approved by the shareholders at the AGM as a Supervisor, with effect from the conclusion of the AGM dated 31 May 2017.

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the Period. Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 relevant of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ye Yujing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2017 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Tang Wai Man Raymond (as chairman), Mr. Wang Zhaowen and Mr. Lin Zhiyang. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 and has no disagreement with the accounting statement adopted by the Company.

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

Shenzhen, the PRC, 4 September 2017

* For identification purpose only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Revenue	7	**745,589**	746,213
Cost of sales		**(651,027)**	(654,581)
Gross profit		**94,562**	91,632
Selling and marketing expenses		**(2,084)**	(1,998)
Administrative expenses		**(22,112)**	(30,127)
Other income — net		**1,519**	330
Operating profit		**71,885**	59,837
Finance income		**402**	54
Finance costs		**(13,325)**	(7,737)
Finance costs — net		**(12,923)**	(7,683)
Profit before income tax		**58,962**	52,154
Income tax expense	8	**(9,225)**	(7,855)
Profit for the period		**49,737**	44,299
Other comprehensive income		**—**	—
Total comprehensive income for the period		**49,737**	44,299
Total comprehensive income attributable to:			
— Owners of the Company		**49,737**	44,299
Earnings per share			
— Basic and diluted (RMB)	9	**23.57 cents**	27.99 cents

The notes on pages 14 to 24 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	11	75,871	79,470
Lease prepayments — land use rights		10,075	10,218
Investment properties		798	819
Deferred income tax assets		22,285	21,682
Prepayments and other receivables	14	14,267	11,010
		123,296	123,199
Current assets			
Amounts due from customers for contract work	12	925,242	763,714
Trade receivables	13	288,455	252,536
Prepayments and other receivables	14	136,226	137,395
Restricted cash		811	843
Cash and cash equivalents		318,001	287,613
		1,668,735	1,442,101
Total assets		1,792,031	1,565,300
EQUITY			
Equity attributable to owners of the Company			
Share capital		211,050	211,050
Share premium		168,472	168,472
Other reserves		51,536	55,254
Retained earnings		403,063	349,608
Total equity		834,121	784,384
LIABILITIES			
Non-current liabilities			
Deferred revenue		1,810	1,847
Current liabilities			
Trade and other payables	15	308,585	417,776
Amounts due to customers for contract work	12	32,383	39,526
Borrowings	16	609,000	310,000
Current income tax liabilities		6,132	11,767
		956,100	779,069
Total liabilities		957,910	780,916
Total equity and liabilities		1,792,031	1,565,300

The notes on pages 14 to 24 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Unaudited:					
Balance at 1 January 2017	**211,050**	**168,472**	**55,254**	**349,608**	**784,384**
Comprehensive income					
— Profit for the period	**—**	**—**	**—**	**49,737**	**49,737**
Total comprehensive income	**—**	**—**	**—**	**49,737**	**49,737**
Utilisation of safety reserve	**—**	**—**	**(3,718)**	**3,718**	**—**
Balance at 30 June 2017	**211,050**	**168,472**	**51,536**	**403,063**	**834,121**
Audited:					
Balance at 1 January 2016	158,287	17,839	43,454	253,804	473,384
Comprehensive income					
— Profit for the period	—	—	—	44,299	44,299
Total comprehensive income	—	—	—	44,299	44,299
Transfer to safety reserve	—	—	575	(575)	—
Balance at 30 June 2016	158,287	17,839	44,029	297,528	517,683

The notes on pages 14 to 24 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(230,587)**	71,882
PRC enterprise income tax paid	**(15,463)**	(12,190)
Net cash (used in)/generated from operating activities	**(246,050)**	59,692
Cash flows from investing activities		
Purchases of property and equipment	**(920)**	(230)
Proceeds from government grants related to assets	**—**	660
Interest received	**402**	54
Net cash (used in)/generated from investing activities	**(518)**	484
Cash flows from financing activities		
Proceeds from borrowings	**422,000**	138,000
Repayments of borrowings	**(123,000)**	(160,400)
Interest paid	**(10,974)**	(7,032)
Payment for listing expenses	**(9,150)**	(3,415)
Net cash generated from/(used in) financing activities	**278,876**	(32,847)
Net increase in cash and cash equivalents	**32,308**	27,329
Cash and cash equivalents at beginning of the period	**287,613**	99,216
Exchange loss on cash and cash equivalents	**(1,920)**	—
Cash and cash equivalents at end of the period	**318,001**	126,545

The notes on pages 14 to 24 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company's H shares were listed on the Main board of The Stock Exchange of Hong Kong Limited on 25 November 2016, with the total share capital increased to RMB211,050,000.

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

The Company and its subsidiaries (together the "Group") are principally engaged in the provision of interior and exterior building decoration and design services in the PRC.

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

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 25 August 2017.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendment to HKFRS effective for the financial year ending 31 December 2017.

(a) Amended standard adopted by the Group

The following amendments to standard were relevant to the Group and have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017.

Amendments to HKAS 7	Statement of cash flows

The adoption of the amendments to standard does not have significant impact to the results or financial position of the Group.

3. ACCOUNTING POLICIES *(Continued)*

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

The following new standards, amendments to standards and interpretations are not yet effective for financial year beginning 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 2	Classification and measurement of share based payment transactions	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Further information about below HKFRS that is expected to be applicable to the Group is as follows:

HKFRS 15, "Revenue from Contracts with Customers" establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contracts with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an asset-liability approach based on transfer of control. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard is not effective until 1 January 2018. The Group does not expect to adopt the new standard before 1 January 2018.

HKFRS 9, "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018. While the Group has yet to undertake a detailed assessment, it would appear that no impact on the Group's current classification, measurement and derecognition of financial assets and financial liabilities. Hedge accounting is not relevant to the Group. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3. ACCOUNTING POLICIES *(Continued)*

(b) New standards, amendments to standards and interpretations not yet adopted by the Group *(Continued)*

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees. The standard replaces HKAS 17 "Leases", and related interpretations, which is effective for annual periods beginning on or after 1 January 2019.

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKAS and HKFRS and does not expect they will have a significant impact on the Group's results of operations and financial position.

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There has been no change in the risk management policies since year end.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities in relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed in the table are based on contractual undiscounted cash flows, as the impact of discounting is not significant.

	Less than 1 year RMB'000
As at 30 June 2017 (Unaudited)	
Borrowings	**629,078**
Trade and other payables	**154,099**
	783,177
As at 31 December 2016 (Audited)	
Borrowings	319,725
Trade and other payables	196,126
	515,851

5.3 Fair value estimation

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

6. 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 the 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 regard 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 from the PRC during the six months ended 30 June 2017 and 2016.

As at 30 June 2017 and 2016, all of the non-current assets were located in the PRC.

7. REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from construction contracts	**735,634**	742,078
Design and other income	**9,131**	4,135
Sales of goods	**824**	—
Total	**745,589**	746,213

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax		
— PRC enterprise income tax	**9,828**	10,066
Deferred income tax	**(603)**	(2,211)
	9,225	7,855

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

Pursuant to the PRC Enterprise Income Tax Law ("EIT Law"), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. On 15 November 2016, the Company renewed the High and New Technology Enterprises Certificate, which is effective for three years commencing on 1 January 2016. Therefore the applicable income tax rate for the Company is 15% for the years from 2016 to 2018. All the other PRC entities of the Group are subject to EIT at a rate of 25% (six months ended 30 June 2016: 25%) in accordance with EIT Law.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Audited)
Profit attributable to owners of the Company (RMB'000)	**49,737**	44,299
Weighted average number of ordinary shares in issue (thousand shares)	**211,050**	158,287
Basic earnings per share (RMB)	**23.57 cents**	27.99 cents

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 and 2016. Diluted earnings per share is the same as the basic earnings per share.

10. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. PROPERTY AND EQUIPMENT

	Buildings	Building improvements	Machinery	Motor vehicles	Furniture and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017 (Unaudited)						
Opening amount as at 1 January 2017	**66,507**	**9,267**	**—**	**2,102**	**1,594**	**79,470**
Additions	**—**	**—**	**—**	**420**	**500**	**920**
Depreciation	**(1,195)**	**(2,513)**	**—**	**(347)**	**(464)**	**(4,519)**
Closing amount as at 30 June 2017	**65,312**	**6,754**	**—**	**2,175**	**1,630**	**75,871**
Six months ended 30 June 2016 (Audited)						
Opening amount as at 1 January 2016	68,032	14,293	4	2,911	2,380	87,620
Additions	862	—	—	—	103	965
Depreciation	(1,181)	(2,513)	(4)	(442)	(472)	(4,612)
Closing amount as at 30 June 2016	67,713	11,780	—	2,469	2,011	83,973

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

12. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Aggregate costs incurred plus recognised profit less foreseeable losses	1,454,745	2,386,610
Less: progress billings	(561,886)	(1,662,422)
	892,859	724,188
Analysed for reporting purposes as:		
Amounts due from customers for contract work	925,242	763,714
Amounts due to customers for contract work	(32,383)	(39,526)
	892,859	724,188

At 30 June 2017, retentions held by customers for contract work amounted to approximately RMB39,461,000 (31 December 2016: RMB41,327,000), and have been included in prepayments and other receivables (Note 14). Advances received from customers for contract work not yet commenced at 30 June 2017 amounted to approximately RMB92,256,000 (31 December 2016: RMB151,716,000), and have been included in trade and other payables (Note 15).

13. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables (a)	332,642	292,614
Less: provision for impairment of trade receivables (b)	(48,073)	(44,809)
Trade receivables — net	284,569	247,805
Notes receivable (c)	3,886	4,731
	288,455	252,536

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 6 months	148,029	148,143
6 months to 1 year	44,017	55,635
1 year to 2 years	81,063	40,813
2 years to 3 years	30,997	18,349
Over 3 years	28,536	29,674
	332,642	292,614

13. TRADE RECEIVABLES *(Continued)*

(b) Movements in the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At 1 January	**44,809**	58,177
Provision for impairment	**8,689**	1,950
Receivables written off as uncollectible	**(1,558)**	—
Reversal of provision	**(3,867)**	(14,389)
At 30 June	**48,073**	45,738

(c) As at 30 June 2017, notes receivable of the Group were mainly commercial acceptance notes, with maturity of less than 6 months.

14. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments	**68,389**	64,723
Project reserve funds	**418**	551
Deposits	**40,200**	41,023
Retention receivables	**39,461**	41,327
Other receivables	**2,025**	781
	150,493	148,405
Less: non-current portion		
Prepayments for properties	**(2,607)**	(2,607)
Deposits	**(2,999)**	(3,466)
Retention receivables	**(8,661)**	(4,937)
	(14,267)	(11,010)
	136,226	137,395

15. TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables (a)	142,882	175,114
Advances from customers	92,256	151,716
Other tax payable	54,500	61,662
Payables for listing expenses	1,537	10,792
Payroll payable	7,730	8,272
Other payables	9,680	10,220
	308,585	417,776

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 6 months	131,460	157,858
6 months to 1 year	5,862	1,718
1 year to 2 years	4,583	13,322
2 years to 3 years	977	2,216
	142,882	175,114

16. BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bank borrowings — secured	609,000	310,000

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2017 (unaudited)	
Opening amount ended 1 January 2017	310,000
Proceeds of new borrowings	422,000
Repayments of borrowings	(123,000)
Closing amount as at 30 June 2017	609,000
Six months ended 30 June 2016 (audited)	
Opening amount ended 1 January 2016	246,400
Proceeds of new borrowings	138,000
Repayments of borrowings	(160,400)
Closing amount as at 30 June 2016	224,000

As at 30 June 2017 and 31 December 2016, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rates as at 30 June 2017 was 5.37% (31 December 2016: 5.40%) per annum.

17. RELATED PARTY TRANSACTIONS

Key management compensation

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Basic salaries, housing funds, other social welfares and benefits	1,354	1,485
Pension costs — defined contribution plans	112	165
Total	1,466	1,650