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GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設（集團）股份有限公司

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

(Stock code: 6189)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

FINANCIAL HIGHLIGHTS

(in million RMB, unless otherwise stated)

	Year ended 31 December		
	2016	2015	Change
Revenue	1,728.5	1,659.7	4.1%
Gross Profit	204.8	197.7	3.6%
<i>Gross Profit Margin</i>	11.8%	11.9%	-0.1%
Profit for the year	107.6	100.7	6.9%
<i>Net Profit Margin</i>	6.2%	6.1%	0.1%
Basic and diluted earnings per share (<i>RMB</i>)	65.82 cents	63.62 cents	3.5%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2016, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2016*

		Year ended 31 December	
		2016	2015
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	1,728,466	1,659,693
Cost of sales		(1,523,678)	(1,461,994)
Gross profit		204,788	197,699
Selling and marketing expenses		(4,377)	(3,792)
Administrative expenses		(61,200)	(61,114)
Other income — net		2,435	1,024
Operating profit		141,646	133,817
Finance income		1,176	238
Finance costs		(15,609)	(15,275)
Finance costs — net		(14,433)	(15,037)
Profit before income tax		127,213	118,780
Income tax expense	5	(19,609)	(18,070)
Profit for the year		107,604	100,710
Other comprehensive income		—	—
Total comprehensive income for the year		107,604	100,710
Total profit and comprehensive income attributable to:			
Owners of the Company		107,604	100,710
Earnings per share			
— Basic and diluted (RMB)	6	65.82 cents	63.62 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		79,470	87,620
Lease prepayments — land use rights		10,218	10,504
Investment properties		819	863
Deferred income tax assets		21,682	18,405
Prepayments and other receivables	10	11,010	37,218
		<u>123,199</u>	<u>154,610</u>
Current assets			
Amounts due from customers for contract work	8	763,714	746,219
Trade receivables	9	252,536	258,282
Prepayments and other receivables	10	137,395	76,819
Restricted cash		843	—
Cash and cash equivalents	11	287,613	99,216
		<u>1,442,101</u>	<u>1,180,536</u>
Total assets		<u>1,565,300</u>	<u>1,335,146</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	211,050	158,287
Share premium	12	168,472	17,839
Other reserves		55,254	43,454
Retained earnings		349,608	253,804
		<u>784,384</u>	<u>473,384</u>
LIABILITIES			
Non-current liabilities			
Deferred revenue		1,847	1,255
Current liabilities			
Trade and other payables	13	417,776	563,193
Amounts due to customers for contract work	8	39,526	43,212
Borrowings	14	310,000	246,400
Current income tax liabilities		11,767	7,702
		<u>779,069</u>	<u>860,507</u>
Total liabilities		<u>780,916</u>	<u>861,762</u>
Total equity and liabilities		<u>1,565,300</u>	<u>1,335,146</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

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

The address of the Company’s registered office is 3rd Floor, No.1 Pengyi Garden, Bagua No.1 Road, Futian District, Shenzhen, China.

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

The Company’s H shares were listed on the Main board of The Stock Exchange of Hong Kong Limited on 25 November 2016.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards 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 2016:

Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) *New standards and amendments to existing standards not yet adopted*

The following new standards and amendments to standards are not yet effective for financial year beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
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
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

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

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the 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 the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure 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 2016 and 2015.

As at 31 December 2016 and 2015, all of the non-current assets were located in the PRC.

4. REVENUE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue from construction contracts	1,717,533	1,638,229
Design and other income	9,203	12,948
Sales of goods	1,730	8,516
Total	<u>1,728,466</u>	<u>1,659,693</u>

Except for one customer accounted for 23% of the Group's revenue, no other customers individually accounted for more than 10% of the Group's revenue during the year ended 31 December 2016 (2015: no customers individually accounted for more than 10% of the Group's revenues).

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	22,886	21,730
Deferred income tax	(3,277)	(3,660)
	<u>19,609</u>	<u>18,070</u>

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 China’s High and New-Technology Enterprise (“HNTE”) Certificate which is effective for three years commencing on 1 January 2016. The applicable income tax rate is 15% for the years from 2016 to 2018 (2015: 15%). All the other PRC entities of the Group are subject to EIT at a rate of 25% (2015: 25%) in accordance with EIT Law.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	127,213	118,780
Calculated at applicable tax rate	19,082	17,817
Expenses not deductible for tax purposes	442	175
Unrecognised temporary difference (a)	85	78
	<u>19,609</u>	<u>18,070</u>

(a) Unrecognised temporary differences include the losses of subsidiaries which were not recognised as deferred income tax assets as it is not probable that sufficient profits will be earned by the subsidiaries in foreseeable future.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016 and 2015.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	107,604	100,710
Weighted average number of ordinary shares in issue (thousand shares)	163,491	158,287
Basic earnings per share (RMB)	<u>65.82 cents</u>	<u>63.62 cents</u>

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2016 and 2015. Diluted earnings per share are the same as the basic earnings per share.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2016 (2015: nil).

8. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Aggregate costs incurred plus recognised profit less foreseeable losses	2,386,610	2,170,718
Less: progress billings	<u>(1,662,422)</u>	<u>(1,467,711)</u>
	<u>724,188</u>	<u>703,007</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	763,714	746,219
Amounts due to customers for contract work	<u>(39,526)</u>	<u>(43,212)</u>
	<u>724,188</u>	<u>703,007</u>

At 31 December 2016, retentions held by customers for contract work amounted to approximately RMB41,327,000 (2015:RMB44,862,000), and have been included in prepayments and other receivables. Advances received from customers for contract work not yet commenced at 31 December 2016 amounted to approximately RMB151,716,000 (2015: RMB100,047,000), and have been included in trade and other payables.

9. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	292,614	305,880
Less: provision for impairment of trade receivables	<u>(44,809)</u>	<u>(58,177)</u>
Trade receivables — net	247,805	247,703
Notes receivable	<u>4,731</u>	<u>10,579</u>
	<u>252,536</u>	<u>258,282</u>

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	148,143	109,179
6 months to 1 year	55,635	45,332
1 year to 2 years	40,813	61,902
2 years to 3 years	18,349	55,947
Over 3 years	<u>29,674</u>	<u>33,520</u>
	<u>292,614</u>	<u>305,880</u>

(b) The ageing analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	148,143	109,179
6 months to 1 year	55,635	45,332
1 year to 2 years	32,910	41,670
2 years to 3 years	2,279	14,169
	<u>238,967</u>	<u>210,350</u>

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

Due to the short credit period granted by the Group to its customers, substantially all trade receivables as at 31 December 2016 were considered past due from accounting perspective. When determining the amount of impairment of trade receivables, management first assesses whether objective evidence of impairment exists for trade receivables that are individually significant. Collective assessment for impairment would be performed on a group of trade receivables which are with similar credit risk characteristics. Trade receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

10. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Prepayments	64,723	35,333
Project reserve funds	551	6,139
Deposits	41,023	25,441
Retention receivables	41,327	44,862
Other receivables	781	2,262
	<u>148,405</u>	<u>114,037</u>
Less: non-current portion		
Prepayments for properties	(2,607)	(3,342)
Deposits	(3,466)	(4,751)
Retention receivables	(4,937)	(29,125)
	<u>(11,010)</u>	<u>(37,218)</u>
	<u>137,395</u>	<u>76,819</u>

11. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in RMB		
— Cash at bank	55,963	99,167
— Cash on hand	19	49
	<u>55,982</u>	<u>99,216</u>
Denominated in HKD		
— Cash at bank	231,631	—
	<u>231,631</u>	<u>—</u>
Total	<u>287,613</u>	<u>99,216</u>

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares (thousands)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued and fully paid:				
At 1 January 2015 and 31 December 2015	<u>158,287</u>	<u>158,287</u>	<u>17,839</u>	<u>176,126</u>
Issuance of ordinary shares (a)	52,763	52,763	191,906	244,669
Shares issuance costs	—	—	(41,273)	(41,273)
At 31 December 2016	<u>211,050</u>	<u>211,050</u>	<u>168,472</u>	<u>379,522</u>

- (a) In connection with the initial public offering (“IPO”) of the shares of the Company, 52,763,000 shares of RMB1.00 each were issued at a price of HK\$5.20 per share for a total cash consideration, before share issuance expenses, of approximately HK\$274,368,000, equivalent to approximately RMB244,669,000.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)	175,114	410,380
Advances from customers	151,716	100,047
Other tax payable	61,662	36,942
Payables for listing expenses	10,792	2,796
Payroll payable	8,272	6,399
Other payables	10,220	6,629
	<u>417,776</u>	<u>563,193</u>

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	157,858	396,723
6 months to 1 year	1,718	6,902
1 year to 2 years	13,322	4,159
2 years to 3 years	2,216	2,596
	<u>175,114</u>	<u>410,380</u>

14. BORROWINGS

As at 31 December 2016 and 2015, all of the Group's borrowings are denominated in RMB. The weighted average effective interest rates as at 31 December 2016 was 5.40% (2015: 6.30%). As at 31 December 2016 and 2015, bank borrowings were secured by the Group's certain property and equipment, land use rights, investment properties, certain trade receivables and guarantees provided by subsidiaries of the Group and certain guarantee companies.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The domestic economic situation in 2016 was complicated, and the macro economy downside pressures still existed. The construction industry in China was developing from “brutal growth” to “rational prosperity”, with the industrial structure continuing to adjust, and profound changes happening to the reallocation of interests in the industry. Each decoration company conformed to the developments of the time, and speeded up its pace of transformation and upgrading, which leading to an improvement on operational revenue growth.

The market demand of the architectural decoration industry relies much on the overall macro environment and government’s relevant needs. On one hand, the decoration industry still faces with fierce competition by the impact of macro economy downside pressure of this year. On the other hand, due to positive policy impact for acceleration of new urbanization, and the rebound of real estate industry with increasing needs on renovation and decoration of all kinds of houses, the Company’s annual growth on performance was still stable according to the overall market environment.

BUSINESS REVIEW

The year 2016 is of significant meaning to the Group, marking the successful completion of the public offering and the listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016, which means a milestone for the Group. Being a listed company contributes to the further development of the Group’s business, strengthens the Group’s capital base and enhances the corporate image and brand awareness.

The Group is one of the top 20 building decoration service providers in the PRC in 2015 according to the Frost & Sullivan Report, with our headquarter located in Shenzhen, Guangdong Province. With over 20 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licences in the building decoration industry.

The Company provides professional and comprehensive building decoration services that mainly cover four areas (i) building decoration works; (ii) electrical and mechanical installation work; (iii) curtain wall engineering works; and (iv) fire safety engineering works for public and private customers (including state-owned enterprises, government authorities and institutions, listed companies, foreign-invested enterprises, property developers and property management companies). The Group has projects covering a wide range of building and properties categories, including commercial buildings, office buildings, industrial buildings, residential buildings, public buildings and infrastructures and hotels. The Group have established an extensive service network by setting up 23 branch offices and representative offices in 18 provinces, autonomous regions and municipalities in the PRC. For the year ended 31 December 2016, the Group acted as a subcontractor and was engaged in approximately 327 projects (each with a contract value of more than RMB1 million) in the PRC, the total contract value of which amounted to approximately RMB3,751.9 million and among which approximately 75 projects with each contract value of more than RMB10 million and approximately 11 projects with each contract value of more than RMB50 million.

Since 2013, the Company has been awarded the status as “High and New-Technology Enterprise (高新技術企業)” by relevant PRC governmental authorities and has been enjoying a preferential EIT of 15%. The HNTE Certificate of the Company has been renewed on 15 November 2016, which is valid for three years from 2016 to 2018.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue increased by 4.1% from approximately RMB1,659.7 million for the year ended 31 December 2015 to approximately RMB1,728.5 million for the year ended 31 December 2016. The increase in the revenue was mainly due to the commencement of three projects with higher contract value, each with total contract value of over RMB100 million in the late 2015 and early 2016 which contributed to our revenue for the year ended on 31 December 2016.

The Group's gross profit increased by 3.6% from approximately RMB197.7 million for the year ended 31 December 2015 to approximately RMB204.8 million for the year ended 31 December 2016 mainly due to the increase in business activities of the construction contracting business for the reasons discussed above. The gross profit margin remained stable at 11.8% and 11.9% for the year ended 31 December 2016 and 2015 respectively.

Other income — net

Other income mainly represents income from government grants and net rental income. Government grants consist building allowance for corporations, subsidies and reimbursement for borrowing cost. Rental income is derived from investment property of commercial offices in Shenzhen, China.

Other income — net increased by 137.8% from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB2.4 million for the year ended 31 December 2016 primarily because of an increase in the government grants.

Administrative expenses

The administrative expenses were stable at approximately RMB61.2 million and approximately RMB61.1 million for the year ended 31 December 2016 and 2015 respectively.

Finance costs — net

Finance costs — net were stable at approximately RMB14.4 million and approximately RMB15.0 million for the year ended 31 December 2016 and 2015 respectively.

Income tax expense

Income tax expense increased by 8.5% from approximately RMB18.1 million for the year ended 31 December 2015 to approximately RMB19.6 million for the year ended 31 December 2016 primarily because of an increase in the provision of tax as a result of the increased profit. The applicable income tax rate maintained at around 15% from the year ended 31 December 2015 to the year ended 31 December 2016.

Profit for the year

Profit for the year increased by 6.9% from approximately RMB100.7 million for the year ended 31 December 2015 to approximately RMB107.6 million for the year ended 31 December 2016. The net profit margin remained stable at 6.2% and 6.1% for the years ended 31 December 2016 and 2015, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The increase of the Group's cash and cash equivalents is primarily due to the net proceeds received from the global offering of H share of the Company (“**Global Offering**”) completed in November 2016 and the increase of interest-bearing bank borrowings. As of 31 December 2015 and 2016, the Group had cash and cash equivalents of approximately RMB99.2 million and approximately RMB287.6 million, respectively.

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 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. Amounts due from customers for contract work

The amounts due from customers for contract work increased from approximately RMB746.2 million as of 31 December 2015 to approximately RMB763.7 million as of 31 December 2016. 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 submission of interim progress payment and the endorsement on the project progress report. Such increase was in line with the increase in the number of projects under construction during 2016.

2. Trade and other payables

Trade and other payables decreased from approximately RMB563.2 million as of 31 December 2015 to approximately RMB417.8 million as of 31 December 2016 primarily due to a decrease in the trade payables because of our timely settlement due to better payment control during 2016.

3. Borrowings and charge on assets

As of 31 December 2016, the Group relied on interest-bearing bank borrowings in the amount of approximately RMB310.0 million (31 December 2015: approximately RMB246.4 million) which are repayable within 1 year. As of 31 December 2016, the Group did not have any inter-company borrowings.

4. Gearing ratio

The gearing ratio was 2.8% as at 31 December 2016 while the ratio as at 31 December 2015 was 23.7%. The decrease was mainly attributable to an increase in the total equity.

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.

5. Capital Expenditure

Capital expenditures decreased from approximately RMB5.3 million for the year ended 31 December 2015 to approximately RMB0.3 million for the year ended 31 December 2016 primarily because of the Group have made sufficient investments in the previous years to satisfy the needs of the business operations during the year.

6. Capital Commitments

As at 31 December 2016, the Group had no capital commitment.

7. Contingent Liability

As at 31 December 2016, the Group had no material contingent liabilities.

8. Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

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

USE OF PROCEEDS

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 the date of this announcement, 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 at 31 December 2016, the Company has not utilized any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

FUTURE PROSPECTS

The building decoration industry had reached a rapid growth period after more than thirty years' development, and now appearing signs of a significant slowdown in performance growth. The investment growth fell faster in the first half of this year, but the infrastructure investment of the second half of this year increased with a rebound in investment growth for a few months, and therefore caused to the boost of fundamentals and evaluations of the decoration companies. Given to the positive growth of the total social investments, the market capacity of the decoration industry did not appear to significant shrinking although its slowdown would be a long-term trend.

The Group's goal is to continue to capture greater market share in Shenzhen and in other provinces and regions in China, as well as expand the presence overseas to become a leading building decoration services provider in selected regions. To achieve this goal, the Group intends to pursue the following strategies:

1. Further expand the Group's service network in the PRC and continue to expand the Group's existing business

In order to seize market opportunities and strengthen our position in the building decoration industry in the PRC, we intend to further expand the geographical coverage of our services. We intend to establish up to 15 branch offices in cities and regions such as Shanghai, Wenzhou, Ganzhou, Guizhou Province and Guangxi Province to capture growth potential of the building decoration industry in these cities and regions. With our substantial experience and solid reputation in the industry, we believe that we are able to penetrate into more second-tier and third-tier cities in the PRC. Meanwhile, we also intend to optimise our branch network by upgrading all of our five existing representative offices in Tianjin, Nanjing, Zhengzhou, Urumqi and Dunhuang to branch offices, as upgrading from representative offices to branch offices will not only enhance the confidence of our existing and prospective customers, but also increase the number of potential projects that our Group is able to undertake as having a local branch office is a pre-requisite for tendering in some cities in the PRC.

2. Establish an internal online platform for central procurement of raw materials and a logistics centre to facilitate the storage and delivery of raw materials

In order to effectively reduce the costs of raw materials and maintain the Group's profit margins in the Group's projects, the Group has established a central procurement system for the purchase of our major raw materials. To further manage the costs of raw materials and enhance the Group's effectiveness in the procurement process, the Group intends to internally develop an internal online supply-chain management platform which aims to serve as a centralised procurement online platform for the Group's existing and prospective suppliers, and a logistics centre to facilitate the storage and delivery of raw materials.

3. Strengthen the Group's research and development capabilities and establish a research and development laboratory

Due to increasing awareness of environmental protection in the PRC in recent years, the Group's customers are beginning to request for the use of materials that are safer and more environmentally friendly when the Group carries out its building decoration works. In order to respond to changes in customer preferences and anticipate the trend of the building decoration industry, the Group intends to strengthen its research and development capabilities, with a particular focus on the research and development of (i) materials, work techniques and procedures that are safer and more environmentally friendly; and (ii) cutting-edge and innovative technologies that will enhance our work efficiency and the quality of our works. In addition, the Group intends to enhance the synergies between the new products and technologies developed by it and the Group's on-site application of such products and technologies. The Directors believe that all of the above will serve to promote the corporate image of the Group and enhance the overall competitiveness of its services.

In order to achieve these purposes, the Group intends to establish a research and development laboratory in the Group's headquarters, which will act as a hub of research and development, standardised management and engineering solutions formulation. The research and development laboratory is expected to be completed in four years' time and its construction is expected to commence in 2017 after obtaining all requisite licences and approvals. In preparation for the establishment of the research and development laboratory, the Group intends to attract and recruit more experienced professionals with expertise in the research and development in the building decoration industry, as well as improve the Group's existing research and development hardware. The Group will also seek research and business collaboration opportunities in respect of building decoration with universities and institutions in the PRC.

4. Strengthen the Group's internal design capabilities

The Group possesses Grade A Professional Building Decoration Engineering and Design* (建築裝飾工程設計專項甲級) and Grade A Professional Curtain Wall Engineering and Design* (建築幕牆工程設計專項甲級). These qualifications and licences allow the Group to undertake interior, exterior design and curtain wall design works without limitations on the contract value.

In order to better cater for the needs of our customers and make full use of the Group's design qualifications and licences, the Group intends to strengthen the Group's in-house design capabilities by upgrading the Group's design system and recruiting more design professionals. The Directors believe that, with the Group's enhanced in-house design capabilities, the Group will be able to offer a wider variety of interior and building decorative styles and designs to the Group's customers, which will enable the Group to attract more customers and obtain more design projects. The Directors believe that all these will enhance the Group's performance and increase the Group's income from the Group's design services, thereby enabling the Group to strengthen our market position and maintain the Group's competitiveness in the building decoration industry in the PRC.

5. Enhance the efficiency of the Group's internal IT system

The Directors believe that the upgrade of the Group's internal integrated IT infrastructure for business management is essential for the improvement of our efficacy and management, as well as for the reduction of operational costs. In order to manage our projects more efficiently, the Group plans to improve and upgrade the Group's internal integrated IT infrastructure for business management, including the Group's enterprise office automation system, remote project scheduling and management system, accounting system, and information system for engineering design. The Directors believe that such improvements and upgrades will significantly contribute to the improvement of the Group's management capabilities.

OTHER INFORMATION

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

As of the Listing Date to the date of this announcement, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

2. Deed of non-competition

To ensure that competition will not exist in the future, Mr. Ye Yujing and Mrs. 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.

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 business of the Group, and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

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

3. Directors' Competing Interest

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

4. Compliance with the Corporate Governance Code

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. As the H Shares were not yet listed on the Stock Exchange until 25 November 2016, the Code Provisions were not applicable to the Company in the year under review. Throughout the period since the Listing Date to the date of this announcement, the Company has fully complied with the Code Provisions, except code provision A.2.1 of the CG Code as more particularly described below. The Directors will review the corporate governance policies and compliance with the CG Code each financial year.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Ye Yujing currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

5. Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to 31 December 2016 (the "Relevant Period") and the period after the Relevant Period to the date of this announcement.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Relevant Period.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

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 Monday, 1 May 2017 to Wednesday, 31 May 2017, 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 annual general meeting, all transfer of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 April 2017, being the business day before the first day of closure of the Register of Members.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aidewei.cn) and the 2016 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting (the “AGM”) will be held on 31 May 2017. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

REVIEW OF ANNUAL RESULTS

The audit committee has reviewed with Company’s management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2016

AUDITORS

The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2016 have been agreed by the Company’s external auditor, PricewaterhouseCoopers to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

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

Shenzhen, the PRC, 24 March 2017

As of the date of this announcement, the Board of the Company comprises Mr. Ye Yujing, Mr. Liu Yilun, Ms. Ye Xiujin, Mr. Ye Guofeng, and Mr. Ye Niangting, as Executive Directors; Mr. Tian Wen as Non-executive Director; and Mr. Li Bingren, Mr. Fung Yat Sang, and Mr. Lin Zhiyang, as Independent Non-executive Directors.

* *For identification purpose only*