广东爱得威建设（集团）股份有限公司

ADWAY GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

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

Stock code: 6189

Interim Report 2019

* 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

Ms. LI Yuanfei (黎媛菲女士) *(appointed on 19 March 2019)*
Mr. TIAN Wen (田文先生) *(resigned on 19 March 2019)*

Independent Non-Executive Directors

Mr. CHEUNG Wai Yeung Michael (張威揚先生)
Mr. LIN Zhiyang (林志揚先生)
Ms. ZHAI Xin (翟昕女士) *(appointed on 11 June 2019)*
Mr. WANG Zhaowen (王肇文先生) *(resigned on 11 June 2019)*

SUPERVISORS

Mr. ZU Li (祖力先生)
Mr. YE Weizhou (葉偉周先生)
Mr. TIAN Wen (田文先生) *(appointed on 19 March 2019)*
Mr. YE Xian (葉縣先生) *(resigned on 19 March 2019)*

AUDIT COMMITTEE

Mr. CHEUNG Wai Yeung Michael (張威揚先生) *(Chairman)*
Mr. LIN Zhiyang (林志揚先生)
Ms. ZHAI Xin (翟昕女士) *(appointed on 11 June 2019)*
Mr. WANG Zhaowen (王肇文先生) *(resigned on 11 June 2019)*

NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) *(Chairman)*
Mr. YE Yujing (葉玉敬先生)
Ms. ZHAI Xin (翟昕女士) *(appointed on 11 June 2019)*
Mr. WANG Zhaowen (王肇文先生) *(resigned on 11 June 2019)*

REMUNERATION COMMITTEE

Ms. ZHAI Xin (翟昕女士) *(Chairman)*
(appointed on 11 June 2019)
Mr. WANG Zhaowen (王肇文先生) *(Chairman)*
(resigned on 11 June 2019)
Mr. YE Guofeng (葉國鋒先生)
Mr. CHEUNG Wai Yeung Michael (張威揚先生)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
Ms. ZHAI Xin (翟昕女士) *(appointed on 11 June 2019)*
Mr. WANG Zhaowen (王肇文先生) *(resigned on 11 June 2019)*
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 (寇悅女士)

AUDITOR

PricewaterhouseCoopers

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank
Bank of China
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited

JOINT COMPANY SECRETARIES

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

6189

COMPANY'S WEBSITE

http://www.aidewei.cn

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During 2019, China's construction industry continues to deepen its reform. The regulatory authorities have continued the previous policy direction for the construction industry, and have set multiple policies in strengthening the construction market supervision, optimizing the business environment, promoting the integrity system, simplifying enterprise qualification management and improving the market access system.

According to the report of the National Bureau of Statistics of China, throughout the first half of 2019, the national construction industry's total output was RMB10.2 trillion, an increase by 7.2% compared to the first half of previous year, maintaining a favorable growth trend.

All in all, during the first half of 2019, the construction industry continues to maintain a steady and rapid development; and there was no change in the overall situation of "Big industry, Small enterprises" of the building decoration. Hence, the leading enterprises in the building decoration industry have huge market potential and opportunities.

BUSINESS REVIEW

After the successful listing on the Main Board of the Stock Exchange, the Group has strengthened its operating efforts and continued to undertake new projects and has achieved better results in the first half of 2019.

The Group provides professional and comprehensive building decorative services to 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 and hotels.

Looking back in the first half of 2019, the Group had satisfactory performances in brand-building and business commencement, and was awarded the Building Decoration Jinpeng Award.

The Group has established a wide operations network. As of 30 June 2019, there are 22 branches and offices in 17 provinces, autonomous regions and municipalities in China.

In the first half of 2019, the Group has signed 92 new contracts with a value of more than RMB1 million each, 17 contracts with a value of more than RMB10 million each, and 5 contracts with a value of more than RMB50 million each.

During the six months ended 30 June 2019, the Group carried out 342 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB3.5 billion, including 80 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 DEVELOPMENT PROSPECT AND STRATEGIES

Committed to becoming a global leading supplier of integrated service for green decoration, the Group will focus on its core business, especially in the subdivision and regional markets, and integrate them to enhance our performance in the second half of 2019. The Group believes that the following strategies will help further enhance its competitiveness and business achievement:

1. **Heed to segment market and focus on regional development**

   The Group will focus on the support and development of the business segments in medical healthcare and hotel and continue to reinforce and highlight our advantages in these segments. We will continue to focus on the development in Great Bay Area, establishing Great Bay Area business department, and expanding the tender bids and bidding in line with our corporate development strategies in order to achieve a leading position through layout in advance. We will keep an eye on the development of Hainan free trade zone and enter the market with layout in due course.

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

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

3. **Strengthen the talent reserve**

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

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

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

FINANCIAL REVIEW

The Group's revenue and profit attributable to equity shareholders for the six months ended 30 June 2019 amounted to RMB744.88 million and RMB52.90 million respectively (six months ended 30 June 2018: RMB735.30 million and RMB51.39 million), with no significant fluctuation in revenue and profit attributable to equity shareholders. Gross profit for the six months ended 30 June 2019 amounted to RMB92.15 million (six months ended 30 June 2018: RMB101.79 million), representing a gross profit margin of approximately 12.37% (six months ended 30 June 2018: 13.84%) and representing a decrease in gross profit margin of 1.47%. Such decrease was mainly due to the fact that contracts starting in the first half of 2019 generally had lower gross margins due to intense market competition. And among projects with top 20 income contributions, the average gross profit margin of most of the projects were at 12.31% (six months ended 30 June 2018: 13.02%). Operating profit for the six months ended 30 June 2019 was RMB67.62 million (six months ended 30 June 2018: RMB73.75 million) or 9.08% (six months ended 30 June 2018: 10.03%) of revenue, representing a decrease of 8.31% in operating profit. The decrease in operating profit was mainly due to a decrease in gross profit. Net profit for the six months ended 30 June 2019 was RMB52.90 million (six months ended 30 June 2018: RMB51.39 million) or 7.10% (six months ended 30 June 2018: 6.99%) of revenue.

For the six months ended 30 June 2019, earnings per share was 23.93 cents (six months ended 30 June 2018: 24.35 cents), representing a decrease of 1.72% in earnings per share.

Liquidity and financial resources

As of 31 December 2018 and 30 June 2019, the Group had cash and cash equivalents of approximately RMB180.06 million and approximately RMB111.65 million, respectively. The decrease in the Group's cash and cash equivalents is mainly due to the increase in prepayments to suppliers and trade receivables for the six months ended 30 June 2019.

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 development and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities, interest-bearing bank borrowings. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

The contract assets decreased from approximately RMB1,581.76 million as of 31 December 2018 to approximately RMB1,428.70 million as of 30 June 2019, representing a decrease of 9.68%. The level of the contract assets as of a given reporting date is mainly affected by the duration between its submission of interim progress payment application and the customer's endorsement on the project progress report. Such decrease was mainly due to the fact that during the first half of 2019 we endeavored to accelerate customers' endorsement of project progress report.

Trade and other payables increased from approximately RMB903.98 million as of 31 December 2018 to approximately RMB1,005.48 million as of 30 June 2019, representing an increase of 11.23%. On the one hand, such increase was due to an increase in the trade payables as our management's practice is to negotiate with suppliers for a longer settlement term. In order to better manage our working capital, we generally pay our suppliers after we receive payments from our customers. Therefore, the balance of our trade payables moved in line with the increased trade receivables in the first half of 2019. On the other hand, in May 2019 we received RMB123.26 million from the investors before the completion of the subscription of domestic shares. As the share subscription was not completed until 31 July 2019 when all the conditions precedent under the investment agreements have been fulfilled, this amount was recorded as other payables on 30 June 2019.

Charges on assets

As at 30 June 2019, trade receivables and contract assets of totaling RMB509.19 million and notes receivable of RMB7.54 million were pledged as collateral for the Group's borrowings (As at 31 December 2018: trade receivables and contract assets of totaling RMB400.70 million and notes receivable of RMB16.02 million were pledged as collateral for the Group's borrowings).

Capital structure

The Company's issued share capital as of 30 June 2019 is RMB221,050,000 divided into 221,050,000 shares of RMB1.00 each, of which 62,763,000 shares of RMB1.00 each is issued H shares.

As of 30 June 2019, the Group relied on interest-bearing bank borrowings and other borrowings in the amount of approximately RMB440.60 million (31 December 2018: approximately RMB496.02 million) which are subject to repayment within 1 year. As of 30 June 2019, the Group did not have any intercompany borrowings.

There was no significant fluctuation in the gearing ratio as it was 22.43% and 22.56% as of 30 June 2019 and 31 December 2018 respectively.

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 acquisition and disposals of subsidiaries or affiliated companies

The Group has not made any acquisitions or disposals of subsidiaries during the Period under review.

Contingent Liability

As of 30 June 2019, the Group had no material contingent liabilities.

Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019.

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 report, 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 2019, approximately RMB182.3 million have been utilized and the unutilized net proceeds of approximately RMB21.1 million from the Global Offering are deposited in the bank accounts.

The break down for the utilized net proceeds:

1. approximately RMB68.78 million was used to establish an internal online supply chain management platform;

2. approximately RMB19.50 million was used to improve and upgrade the Group's internal integrated IT infrastructure for business management;

3. approximately RMB20.46 million was used to strengthen the Group's research and development capabilities and establish a research and development laboratory;

4. approximately RMB40.16 million was used to further expand the geographical coverage of the Group's services and optimise and the Group's branch network;

5. approximately RMB13.47 million was used to upgrade the Group's design system and recruit more design professionals; and

6. approximately RMB19.93 million was used for supplementing working capital.

Placing Agreement under General Mandate

All the conditions set out in the Company's new H shares placing agreement have been fulfilled and the placing was completed on 30 November 2018, with net proceeds of approximately HK$67.7 million (amounted to approximately RMB60.1 million) after deducting relevant listing expenses. As at 30 June 2019, approximately RMB60.1 million from the new H shares placing have been fully utilized, and the Company did not make any changes to its plan on the use of proceeds as stated in the announcement dated 15 November 2018.

The utilization breakdown is as follows: (i) approximately 25% (approximately RMB15.0 million) was used for working capital of the Company; (ii) approximately 20% (approximately RMB12.0 million) was used for repayment of the bank facilities of the Company; and (iii) approximately 55% (approximately RMB33.1 million) was used for business development of the Company, which was used for sourcing raw materials to be distributed/allocated to the Company's projects through the procurement online platform, an internal online supply-chain management platform of the Company, which aims to serve as a centralized procurement online platform for its existing and prospective suppliers, and a logistics centre to facilitate the storage and delivery of raw materials.

EMPLOYEES

As at 30 June 2019, the Group had 329 employees in the PRC. 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 helps to manage the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees were not entitled to bonuses. 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. The following table provides a breakdown of the Group's employees by function:

Function	Number of employees
Administration and management	45
Project management	128
Design	25
Research and development	23[1]
Technical support	3
Procurement	8
Sales and marketing	68
Accounting and finance	29
Total	329

Note:

(1) Apart from 23 research and development personnel, 21 of our employees in other departments and 25 designers are involved in our research and development initiatives. In order to avoid double counting, those 46 employees are not counted towards "research and development" in this table.

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.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**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%	30.62%
	Interest of spouse	15,504,000 (Domestic Shares)	9.79%	7.01%
YE Xiujin (葉秀近) (Note 4)	Beneficial Owner	15,504,000 (Domestic Shares)	9.79%	7.01%
	Interest of spouse	67,694,000 (Domestic Shares)	42.77%	30.62%
YE Guofeng (葉國鋒) (Note 5)	Interest in a controlled corporation	6,075,000 (Domestic Shares)	3.84%	2.75%
LI Yuanfei (黎媛菲) (Note 6)	Interest in a controlled corporation	10,000,000 (Domestic Shares)	6.32%	4.52%
YE Xian (葉縣) (Note 7)	Beneficial Owner	10,336,000 (Domestic Shares)	6.53%	4.68%

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 221,050,000 Shares in issue.

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. Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業 (有限合夥)) ("**Shenzhen Gong Xiang Li**"), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. YE Guofeng, our Executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by Shenzhen Gong Xiang Li.

6. Ms. LI Yuanfei is a partner of and has control over Shenzhen Qianhai Xingwang Investment Management Co., Ltd* (深圳前海興旺投資管理有限公司). Shenzhen Qianhai Xingwang Investment Management Co., Ltd* is the general partner of Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center* (Limited Partnership) ("**Ningbo Xingwang Yinghua**") (寧波梅山保稅港區興旺贏華股權投資中心(有限合夥)), and Ningbo Xingwang Yinghua is interested in 10,000,000 Domestic Shares of the Company. Shenzhen Qianhai Xingwang Investment Management Co., Ltd* is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership)* (深圳前海興旺投資中心(有限合夥)) and 1% by Mr. XIONG Mingwang ("**Mr. Xiong**"). Shenzhen Qianhai Xingwang Investment Center (Limited Partnership), a limited partnership entity, is owned as to 99% by Mr. Xiong and 1% by Mr. LIU Jun.

7. The resignation of Mr.YE Xian as a Supervisor of the Company became effective on 19 March 2019.

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

As at 30 June 2019, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to 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 (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Class of Shares held after the Global Offering	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company [(1)]	Approximate percentage of shareholdings in the total share capital of the Company [(2)]
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選 (天津) 股權投資基金合夥企業(有限合夥)) [(Note 3)]	Domestic Shares	Beneficial Owner	17,000,000	10.74%	7.69%
Shenzhen Co-Win Asset Management Holding Company Limited (深圳市同創偉業資產管理股份有限公司) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Zheng Wei He (鄭偉鶴) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Huang Li (黃荔) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
Ding Bao Yu (丁寶玉) [(Note 3)]	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	7.69%
YE Bingquan (葉炳權)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.68%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺嬴華股權投資中心(有限合夥)) [(Note 4)]	Domestic Shares	Beneficial Owner	10,000,000	6.32%	4.52%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) [(Note 4)]	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心(有限合夥) [(Note 4)]	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
Xiong Mingwang (熊明旺) [(Note 4)]	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.52%
International South China Investment Fund Limited Partnership [(Note 5)]	H Shares	Beneficial Owner	16,009,000	25.51%	7.24%
International South China Investment Fund Limited [(Note 5)]	H Shares	Interest in a controlled corporation	16,009,000	25.51%	7.24%
LI Jianping (李建平) [(Note 5)]	H Shares	Interest in a controlled corporation	16,009,000	25.51%	7.24%
CHEN Junting (陳俊廷)	H Shares	Beneficial Owner	6,360,000	10.13%	2.88%
Zeng Zhiwei (曾志偉)	H Shares	Beneficial Owner	4,769,500	7.60%	2.16%

Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).

2. The calculation is based on the total number of 221,050,000 Shares in issue.

3. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) ("**South China Sea LP**"), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as of 30 June 2019, (i) Shenzhen Co-Win Jinxiu Asset Management Limited ("**Shenzhen Co-Win Jinxiu Asset**"), (ii) Zheng Wei He; (iii) Huang Li; and (iv)Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited ("**Shenzhen Co-Win Asset**"). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited ("**Shenzhen Co-Win Venture Capital**"), 15.02% by Zheng Wei He, 14.94%by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業（有限合夥）) ("**Shenzhen Co-Win Victory LP**"), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital,3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as of 30 June 2019, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("**Ningbo Xingwang Yinghua**"), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd ("**Shenzhen Qianhai Xingwang Investment Management**") as of 30 June 2019. As of 30 June 2019, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun.

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

5. Li Jianping acquired the 100% limited partnership interest in International South China Investment Fund Limited Partnership and 100% interest in International South China Investment Fund Limited by a deed of assignment and assumption of Limited Partnership Interest. International South China Investment Fund Limited is the general partner in the limited partnership of International South China Investment Fund Limited Partnership.

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions.

Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the six months ended 30 June 2019. 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 is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner. 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. Throughout the period since the Listing Date to the date of this Interim report, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to Code 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 the chief executive officer and Mr. Ye Yujing currently performs these two roles. Our Board believes that vesting the roles of both chairman and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Changes in information on Directors and Supervisor during the six months ended 30 June 2019 (the "**Period**" or "**Reporting Period**"), which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. YE Xian resigned as a Supervisor, with effect from the conclusion of the extraordinary general meeting ("**EGM**") dated 19 March 2019.

Mr. TIAN Wen resigned as a non-executive Director and was appointed and approved by the shareholders at the EGM as a Supervisor, with effect from the conclusion of the EGM dated 19 March 2019.

Ms. LI Yuanfei was appointed and approved by the shareholders at the EGM as a non-executive Director, with effect from the conclusion of the EGM dated 19 March 2019.

Mr. WANG Zhaowen 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 ("**AGM**") dated 11 June 2019.

Ms. ZHAI Xin 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 11 June 2019.

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.

REVIEW OF INTERIM REPORT

The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cheung Wai Yeung Michael (as chairman), Ms. Zhai Xin and Mr. Lin Zhiyang. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2019 and has no disagreement with the accounting policies adopted by the Company.

In addition, the unaudited consolidated interim results of the Group for the Reporting Period have been reviewed by the external auditor of the Company.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

Factoring Contract

On 23 May 2019, the Company has entered into a factoring contract with Ping An International Financial Leasing (Tianjin) Company Limited* (平安國際融資租賃 (天津) 有限公司) ("**Ping An Leasing**"),pursuant to which, the Company agreed to transfer the account receivable(s) in the consideration of approximately RMB86.51 million which the Company is entitled to receive under a commercial contract to PingAn Leasing, and PingAn Leasing agreed to accept the aforesaid receivables and provide factoring facility services to the Company. For details, please refer to the announcement dated 23 May 2019.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Increase in the registered share capital and amendments to the articles of association

On 26 July 2019, the increase in the registered share capital and the amendments to the articles of association of the Company were approved by the shareholders of the Company at the EGM. The registered share capital was increased from RMB221,050,000 (divided by 62,763,000 H shares and 158,287,000 domestic shares), to RMB240,930,645 (divided by 62,763,000 H shares and 178,167,645 domestic shares). Amendments to the articles of association of the Company include "Shares and Registered Capital".

For details, please refer to the circular of the Company dated 17 June 2019.

Completion of the issue of shares in the Company

Completion of the first domestic share subscription agreement and second domestic share subscription agreements (as amended by the termination agreements) (collectively, the "**Subscription Agreements**") took place on 31 July 2019. The first subscription shares and second subscription shares were issued to Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) and the subscribers respectively. The first subscription shares and the second subscription shares, i.e., in aggregate 19,880,645 new shares, were allotted and issued to Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) and the subscribers at the subscription price of RMB6.2 (equivalent to approximately HK$7.19) per Domestic Share pursuant to the terms and conditions of the Subscription Agreements. The gross proceeds and the net proceeds from the issue of first subscription shares and second subscription shares are approximately RMB123,260,000 (equivalent to approximately HK$142,953,238) and RMB123,017,377 (equivalent to approximately HK$142,671,851) respectively. The net price of each first subscription share and second subscription share is approximately RMB6.18 (equivalent to approximately HK$7.17) and RMB6.19 (equivalent to approximately HK$7.18) respectively.

For details, please refer to the announcements of the Company dated 9 May 2019, 22 May 2019, 28 May 2019 and 31 July 2019, and the circular of the Company dated 17 June 2019.

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

Shenzhen, the PRC, 30 August 2019

* For identification purpose only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	7	**744,876**	735,304
Cost of sales		**(652,728)**	(633,513)
Gross profit		**92,148**	101,791
Selling and marketing expenses		**(4,223)**	(3,926)
Administrative expenses		**(18,708)**	(20,301)
Net impairment losses on financial and contract assets		**(7,333)**	(8,185)
Other income — net		**4,236**	4,372
Other gains		**1,501**	—
Operating profit		**67,621**	73,751
Finance income		**1,103**	2,315
Finance costs		**(15,750)**	(20,925)
Finance costs — net		**(14,647)**	(18,610)
Profit before income tax		**52,974**	55,141
Income tax expense	8	**(78)**	(3,754)
Profit for the period		**52,896**	51,387
Other comprehensive income		**—**	—
Total comprehensive income for the period		**52,896**	51,387
Total comprehensive income attributable to:			
— Owners of the Company		**52,896**	51,387
Earnings per share			
— Basic and diluted (RMB)	9	**23.93 cents**	24.35 cents

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	11	60,300	74,427
Right-of-use-assets		11,597	—
Lease prepayments — land use rights		—	9,646
Investment properties		711	732
Intangible assets		2,659	3,545
Deferred income tax assets		28,076	26,976
Other receivables	13	23,688	20,941
		127,031	136,267
Current assets			
Contract assets		1,428,702	1,581,757
Trade receivables	12	872,662	589,087
Prepayments and other receivables	13	144,693	117,113
Restricted cash		18,404	7,160
Cash and cash equivalents		111,652	180,059
		2,576,113	2,475,176
Total assets		2,703,144	2,611,443
EQUITY			
Equity attributable to owners of the Company			
Share capital		221,050	221,050
Share premium		218,598	218,598
Other reserves		91,702	77,448
Retained earnings		606,276	567,634
Total equity		1,137,626	1,084,730
LIABILITIES			
Non-current liabilities			
Lease liabilities		954	—
Deferred revenue		1,666	1,701
		2,620	1,701
Current liabilities			
Trade and other payables	14	1,005,476	903,976
Contract liabilities		106,782	107,856
Borrowings	15	440,601	496,021
Lease liabilities		1,006	—
Current income tax liabilities		9,033	17,159
		1,562,898	1,525,012
Total liabilities		1,565,518	1,526,713
Total equity and liabilities		2,703,144	2,611,443

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Unaudited:					
Balance at 1 January 2019	**221,050**	**218,598**	**77,448**	**567,634**	**1,084,730**
Comprehensive income					
— Profit for the period	**—**	**—**	**—**	**52,896**	**52,896**
Total comprehensive income	**—**	**—**	**—**	**52,896**	**52,896**
Transfer to statutory reserve	**—**	**—**	**4,312**	**(4,312)**	**—**
Transfer to safety reserve	**—**	**—**	**9,942**	**(9,942)**	**—**
Balance at 30 June 2019	**221,050**	**218,598**	**91,702**	**606,276**	**1,137,626**
Unaudited:					
Balance at 1 January 2018	211,050	168,472	63,538	457,163	900,223
Comprehensive income					
— Profit for the period	—	—	—	51,387	51,387
Total comprehensive income	—	—	—	51,387	51,387
Transfer to safety reserve	—	—	1,026	(1,026)	—
Dividends for the year ended 31 December 2017	—	—	—	(6,332)	(6,332)
Balance at 30 June 2018	211,050	168,472	64,564	501,192	945,278

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(50,689)**	(78,115)
PRC enterprise income tax paid	**(9,304)**	(12,289)
Net cash used in operating activities	**(59,993)**	(90,404)
Cash flows from investing activities		
Purchases of property and equipment	**(81)**	(312)
Purchases of intangible asset	**—**	(1,590)
Proceeds from disposal of property	**13,420**	—
Interest received	**1,103**	2,300
Net cash generated from investing activities	**14,442**	398
Cash flows from financing activities		
Proceeds from deposits for share subscription	**123,260**	—
Repayment of deposits for share subscription	**(78,000)**	—
Proceeds from borrowings	**422,812**	428,150
Repayments of borrowings	**(474,556)**	(435,000)
Repayments of lease liabilities	**(622)**	—
Interests paid	**(15,740)**	(20,925)
Net cash used in financing activities	**(22,846)**	(27,775)
Net decrease in cash and cash equivalents	**(68,397)**	(117,781)
Cash and cash equivalents at beginning of the period	**180,059**	281,750
Exchange (losses)/gains on cash and cash equivalents	**(10)**	15
Cash and cash equivalents at end of the period	**111,652**	163,984

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

1. GENERAL INFORMATION

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

The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016 with the total share capital increased to RMB211,050,000. The Company issued additional 10,000,000 H shares on November 2018, and the total share capital increased to RMB221,050,000.

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 ("**Mrs. 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 30 August 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period.

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

(a) New and amended standards adopted by the Group

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Annual improvements 2015–2017	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
HK(IFRIC) 23	Uncertainty over income tax treatments

Except for the impact of adoption of HKFRS 16 set out in Note 3 below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

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

The following new standards and amendments to standards are not yet effective for financial year beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. CHANGES IN ACCOUNTING POLICIES

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

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

(a) Adjustments recognised on adoption of HKFRS 16

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

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

The lease prepayments — land used rights are reclassified to right-of-use assets as of 30 June 2019 and 1 January 2019, respectively.

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

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

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

(b) Accounting policies adopted since 1 January 2019

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

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

From 1 January 2019 onwards, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

5.2 Credit risk

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

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

(i) Risk management

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

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

(ii) Impairment of financial assets

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

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

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Liquidity risk

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

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

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

	Less than 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
As at June 30 2019 (Unaudited)			
Borrowings	**456,497**	**—**	**456,497**
Trade and other payables (excluding other tax payable and payroll payable)	**744,760**	**—**	**744,760**
Lease liabilities	**1,006**	**954**	**1,960**
	1,202,263	**954**	**1,203,217**
As at 31 December 2018 (Audited)			
Borrowings	506,530	—	506,530
Trade and other payables (excluding other tax payable and payroll payable)	777,040	—	777,040
	1,283,570	—	1,283,570

5.4 Fair value estimation

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

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

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the six months ended 30 June 2019 (six months ended 30 June 2018: same).

As at 30 June 2019, all of the non-current assets were located in the PRC (31 December 2018: same).

7. REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from construction contracts	**719,462**	689,052
Sales of goods	**13,497**	36,601
Design and other income	**11,917**	9,651
	744,876	735,304
Timing of revenue recognition:		
— Over time	**731,379**	698,703
— At a point in time	**13,497**	36,601
	744,876	735,304

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
— PRC enterprise income tax	**1,178**	4,877
Deferred income tax	**(1,100)**	(1,123)
	78	3,754

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. The applicable income tax rate is 15% for the years from 2016 to 2018. Assuming that there is no change to the relevant laws and regulations, the directors consider that the Company will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to EIT at a rate of 25% (six months ended 30 June 2018: 25%) in accordance with EIT Law.

8. INCOME TAX EXPENSE *(Continued)*

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax	**52,974**	55,141
Calculated at applicable tax rate	**7,920**	8,257
Expenses not deductible for tax purposes	**40**	104
Unrecognised temporary difference	**64**	35
Additional deduction on research and development expenses (a)	**(7,946)**	(4,642)
	78	3,754

(a) The Company was entitled to an additional deduction calculated at 75% of the qualified research and development costs filed by the Company to the in-charge tax authority according to EIT Law during the six months ended 30 June 2019 (six months ended 30 June 2018: 50%).

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 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	**52,896**	51,387
Weighted average number of ordinary shares in issue (thousand shares)	**221,050**	211,050
Basic earnings per share (RMB)	**23.93 cents**	24.35 cents

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2018. Diluted earnings per share is the same as the basic earnings per share.

10. DIVIDENDS

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six month ended 30 June 2018: same).

11. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)					
Opening amount as at 1 January 2019	**66,087**	**—**	**7,155**	**1,185**	**74,427**
Additions	**—**	**—**	**60**	**21**	**81**
Disposal	**(11,919)**	**—**	**—**	**—**	**(11,919)**
Depreciation	**(1,150)**	**—**	**(954)**	**(185)**	**(2,289)**
Closing amount as at 30 June 2019	**53,018**	**—**	**6,261**	**1,021**	**60,300**
Six months ended 30 June 2018 (Unaudited)					
Opening amount as at 1 January 2018	68,632	4,241	8,306	2,007	83,186
Additions	—	—	—	312	312
Depreciation	(1,274)	(2,511)	(902)	(661)	(5,348)
Closing amount as at 30 June 2018	67,358	1,730	7,404	1,658	78,150

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

12. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables (a)	**913,585**	624,025
Less: provision for impairment of trade receivables	**(62,041)**	(57,000)
Trade receivables — net	**851,544**	567,025
Notes receivable (b)	**21,118**	22,062
	872,662	589,087

12. TRADE RECEIVABLES *(Continued)*

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 6 months	**622,178**	342,481
6 months to 1 year	**88,859**	76,777
1 year to 2 years	**80,889**	82,616
2 years to 3 years	**42,559**	64,806
Over 3 years	**79,100**	57,345
	913,585	624,025

(b) As at 30 June 2019, notes receivable of the Group were mainly commercial acceptance notes, with maturity of less than 12 months (31 December 2018: same).

(c) Notes receivable of RMB7,537,000 are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant notes receivable to the factor in exchange for cash and is prevented from selling or pledging the notes receivable. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing (Note 15). The Group considers the held to collect business model to remain appropriate for these notes receivable and hence continues measuring them at amortised cost.

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepayments	**85,231**	65,389
Deposits	**48,674**	41,980
Retention receivables	**25,431**	26,676
Other receivables	**9,045**	4,009
	168,381	138,054
Less: non-current portion		
Deposits	**(9,312)**	(6,591)
Retention receivables	**(14,376)**	(14,350)
	(23,688)	(20,941)
	144,693	117,113

14. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables (a)	704,838	676,356
Notes payable	30,000	14,000
Other tax payable	127,205	116,347
Deposits for subscription of domestic shares (b)	123,260	78,000
Payroll payable	10,251	10,589
Other payables	9,922	8,684
	1,005,476	903,976

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 6 months	449,221	541,037
6 months to 1 year	154,679	85,618
1 year to 2 years	73,277	45,469
2 years to 3 years	27,661	4,232
	704,838	676,356

(b) It represented the amounts received from the investors before the completion of the subscription of domestic shares. The share subscription was completed on 31 July 2019 when all the conditions precedent under the investment agreements have been fulfilled. Detailed information related to the share subscription was disclosed on the announcement made by the Company on 31 July 2019.

15. BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bank borrowings — secured	402,600	470,000
Bank borrowings — unsecured	—	10,000
Other borrowings — secured	38,001	16,021
	440,601	496,021

As at 30 June 2019 and 31 December 2018, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rates of bank borrowings and other borrowings as at 30 June 2019 were 4.90% and 8.61%, respectively (31 December 2018: 5.98% and 5.09%) per annum.

As at 30 June 2019, secured bank and other borrowings were secured by the Group's trade receivables and contract assets of totalling RMB509,192,000 (31 December 2018: RMB400,697,000) and guaranteed by related parties (Note 16) (31 December 2018: same).

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**1,408**	1,301
Contribution to pension scheme	**101**	100
Total	**1,509**	1,401

(b) The Group's borrowings of RMB433,064,000 as at 30 June 2019 have been guaranteed by the controlling shareholders, Mr. Ye and Mrs. Ye and certain shareholders of the Group (31 December 2018: the Group's borrowings of RMB420,000,000 have been guaranteed by Mrs. Ye and certain shareholders of the Group).