广东爱得威建设(集团)股份有限公司

ADWAY GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

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

Stock code: 6189

Annual Report 2022

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生)
(Chairman and chief executive officer, resigned as the chief executive officer on 20 October 2023)
Mr. YE Jiajun (葉家俊先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)

Non-executive Directors

Mr. ZHUANG Liangbin (莊良彬先生)
Ms. LI Yuanfei (黎媛菲女士) *(Resigned on 10 June 2022)*

Independent Non-executive Directors

Mr. CAI Huiming (蔡慧明先生)
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生) *(Appointed on 24 June 2022)*
Mr. ZHOU Wanxiong *(Appointed on 24 June 2022)*
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

SUPERVISORS

Mr. Li Rui (李鋭先生)
Mr. YE Weizhou (葉偉周先生)
Mr. TIAN Wen (田文先生) *(resigned on 28 August 2023)*

AUDIT COMMITTEE

Mr. CAI Huiming (蔡慧明先生) *(Chairman)*
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生) *(Appointed on 24 June 2022)*
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) *(Chairman)*
Mr. YE Yujing (葉玉敬先生)
Mr. SUN Changqing (孫常青先生) *(Appointed on 24 June 2022)*
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

REMUNERATION COMMITTEE

Mr. SUN Changqing (孫常青先生) *(Chairman)*
(Appointed on 24 June 2022)
Mr. YE Guofeng (葉國鋒先生)
Mr. CAI Huiming (蔡慧明先生)
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Jiajun (葉家俊先生)
Mr. LIN Zhiyang (林志揚先生)
Mr. SUN Changqing (孫常青先生)
(Appointed on 24 June 2022)
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)
Mr. LEE Leong Yin (李亮賢先生)

AUDITOR

Elite Partners CPA Limited *(Appointed on 31 July 2023)*
Asian Alliance (HK) CPA Limited *(Appointed on 29 September 2022, and resigned on 31 July 2023)*
BDO China Shu Lun Pan Certified Public Accountants LLP
(Resigned on 1 September 2022)

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

PRINCIPAL BANKS

Bank of China
China Construction Bank

COMPANY SECRETARIES

Mr. LEE Leong Yin (李亮賢先生)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

STOCK CODE

6189

COMPANY'S WEBSITE

www.aidewei.cn

FINANCIAL SUMMARY

(in RMB million, unless otherwise stated)

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
Revenue	**189.1**	554.5	910.6	1,543.0	1,830.8
Gross Profit	**27.9**	72.3	151.9	246.4	253.1
Gross Profit Margin	**14.8%**	13.0%	16.7%	16.0%	13.8%
Profit/(loss) for the Year	**(975.0)**	(578.1)	(331.7)	46.3	130.7
Net Profit/(loss) Margin	**(515.6%)**	(104.3%)	(36.4%)	3.0%	7.1%
Basic and diluted earnings/(loss) per share (RMB)	**(405 cents)**	(240 cents)	(138 cents)	20 cents	61.69 cents

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2022	2021	2020	2019	2018
Non-current assets	**55.8**	64.4	168.0	111.1	136.3
Current assets	**71.1**	1,229.0	1,984.7	2,673.5	2,475.2
Non-current liabilities	**1.4**	17.2	3.0	3.6	1.7
Current liabilities	**756.9**	932.6	1,199.6	1,502.6	1,525.0
Total equity	**(631.5)**	343.7	950.1	1,278.3	1,084.7

CHAIRMAN’S STATEMENT

Dear Shareholders:

On behalf of the Board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Adway Construction (Group) Holdings Company Limited (the “**Company**”), I hereby presented to you the annual report of the Company and its subsidiaries (the “**Group**” or “**us**”) for the year ended 31 December 2022.

1. REVIEW OF THE 2022 RESULTS

In the past year of 2022, China's economic growth has slowed down due to the prolonged impact of the COVID-19 epidemic as well as under the pressure of the continuous Sino-US relationship and the subsequent extension of the Western continued disengagement and suppression of China. As a result of the continued regulation in China's real estate sector and the outbreak of corporate debt defaults in the real estate sector, the building decoration industry was under immense pressure, and the Company incurred significant losses in 2022, with a loss of RMB975 million for the year.

2. 2022 WORK REVIEW

In 2022, the Group's major endeavours were as follows:

(1) To actively ensure the completion and delivery of construction projects.

(2) To shrink market regions and focus on consolidating the Greater Bay Area market.

(3) To reduce staff and increase efficiency, and optimize management organization and processes.

(4) To actively resolve the Company's debt crisis and seek debt restructuring.

Over the past year, due to the impact of external environment, the Company defaulted on its bank debt and liquidity was disrupted, resulting in financial difficulties for the Company. Adhering to the principle of being responsible to customers, society, employees and shareholders, the Company has maintained the basic and normal operation of the Company without forgetting its original intention and forging ahead amidst difficulties. In 2022, the Company has succeeded in re-accreditation as a “High and New Technology Enterprise” (高新技術企業).

3. DEVELOPMENT PROSPECTS IN 2023

In 2023, the Group will continue to focus on its principal business, and committed to becoming an internationally leading green decoration comprehensive service provider, and endeavour to achieve a debt restructuring. By leveraging the debt restructuring, the Company will introduce new investors to enter and invest, and resolve debt risks and liquidity risks, thereby gaining new life.

1. To pay attention to segmented markets and focus on regional development

In active response to the national policy to stimulate economic recovery to expand business in infrastructure investment, real estate and building decoration industries, the Group adopted a prudent order strategy while ensuring the delivery of existing construction projects as required by customers, and increased the selection of high-quality customers for new orders.

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

The Group will continue to optimize the project management process and improve the efficiency of the project management through business process re-engineering and innovative solution. We will optimize business models, strengthen risk control and liquidity management based on changes in national industry management.

3. Enhance talent reserve

The Group will strengthen the construction of corporate culture, optimize the existing personnel of the Company, hire outstanding management and project manager talents in the industry, and create a "market development oriented, business professional, and career enterprising management composite" team.

4. Explore new business opportunities

While focusing on developing its core business, the Company will explore new business opportunities and businesses with new investors, and expand into new energy and technological innovation sectors, moving from traditional architectural decoration service enterprises to technological innovation fields.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our dedicated employees and management team for their commitment and professionalism. I would also like to express our heartfelt thanks to our Shareholders and partners for their continuing support, trust and care for the Group. We will endeavour to resolve our debt risks and liquidity risks, restructure Adway and remain committed to providing international first-class green decoration services.

Mr. YE Yujing
Chairman
28 September 2023

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬), aged 57, one of the founders of our Group, has been the Chairman and an executive Director of our Company since its establishment on 18 December 1996. Mr. Ye was the chief executive officer of the Company from 10 April 2012 to 20 October 2023 and is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Ye currently also serves as the chairman of the Strategy Committee of the Company and a member of the Nomination Committee of the Company. Mr. Ye is the husband of Ms. Ye Xiujin (executive Director of the Company), the father of Mr. Ye Guofeng (executive Director of the Company) and Mr. Ye Jiajun (executive Director of the Company) and father-in-law of Mr. ZHUANG Liangbin (the non-executive Director of the Company). Mr. Ye completed an education programme in civil engineering offered by China University of Geosciences (中國地質大學) in July 2007 and subsequently obtained his executive master of business administration (EMBA) from Xiamen University (廈門大學) in June 2016. Mr. Ye has over 30 years of experience in the civil engineering and construction industries. Prior to the establishment of our Company, Mr. Ye had worked as a sales executive in the second engineering department of Shenzhen Wenye Decoration Design Engineering Company Limited* (深圳市文業裝飾設計工程有限公司) (currently known as Shenzhen Wenye Decoration Design Engineering Joint-Stock Company Limited* (深圳市文業裝飾設計工程股份有限公司)) from January 1987 to January 1993, and as a manager in the Xincheng decoration department of Shenzhen Bao'an District Decoration Construction Consolidated Company Limited* (深圳市寶安區裝飾工程聯合公司新城裝飾部) from February 1993 to October 1996. Mr. Ye was a member of the sixth and seventh session of the Luhe County Guangdong Province Committee of the Chinese People's Political Consultative Conference (CPPCC) (廣東省陸河縣政協). Mr. Ye currently is a member of the 5th standing committee and the vice president of the Social Committee of the Futian District of Shenzhen Committee of CPPCC (深圳市福田區政協委員會) and is also a member of the 8th Standing Committee of the Luhe County Guangdong Province Committee of CPPCC, a member of the Central Economic Committee of China Democratic League (中國民主同盟), the vice president of the Public Administration Committee and the vice president of Futian Branch of Shenzhen Committee of China Democratic League, and the honourable president of the Hong Kong Shanwei Luhe Over seas Association (香港汕尾市陸河海外聯誼總會), a standing director of the China Building Decoration Association (中國建築裝飾協會), the vice president of Federation of Shenzhen Industries, the vice president of the Shenzhen Decoration Association, the executive vice president of Shenzhen City Fuyi Public Welfare Foundation (深圳市福醫基金會). Mr. Ye was awarded by CBD Association as "National Outstanding Entrepreneur of Building Decoration Industry"* (全國建築裝飾行業優秀企業家) and "National Outstanding Project Manager of Building Decoration Industry"* (全國建築裝飾行業優秀項目經理) in December 2009 and June 2014 respectively. He was qualified as a senior engineer (高級工程師) in May 2009 and acquired the Certificate of Registration of Constructor of the PRC (中華人民共和國一級建造師註冊證書) in February 2009.

Ms. YE Xiujin (葉秀近), aged 56, was appointed as an executive Director of the Company on 1 July 2008. Ms. Ye joined our Company since its establishment and has been primarily responsible for advising on the strategic development and corporate governance of our Company, formulating our Company's corporate and business strategies, and providing assistance to Mr. Ye Yujing. She has also worked in the accounting department of our Company. Ms. Ye is the wife of Mr. Ye Yujing (executive Director of the Company), the mother of Mr. Ye Guofeng (executive Director of the Company) and Mr. Ye Jiajun (executive Director of the Company) and mother-in-law of Mr. ZHUANG Liangbin (the non-executive Director of the Company). Ms. Ye acquired the qualification of accountant issued by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 2000.

Mr. YE Guofeng (葉國鋒), aged 35, was appointed as an executive Director of the Company on 30 July 2013. Mr. Ye currently also serves as a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Ye joined our Company on 15 September 2011 and worked as an assistant to Mr. Ye Yujing starting from April 2012. He was later promoted to the position of marketing director and manager of the procurement department in May 2014. Mr. Ye is currently responsible for advising on strategic development and corporate governance of our Group. Mr. Ye is the son of Mr. Ye Yujing (executive Director of the Company) and Ms. Ye Xiujin (executive Director of the Company), the elder brother of Mr. Ye Jiajun (executive Director of the Company and the elder uncle of Mr. ZHUANG Liangbin (the non-executive Director of the Company). Mr. Ye graduated with an associate degree from Shenzhen Polytechnic (深圳職業技術學院) majored in construction management in June 2011. He later completed the top-up courses in civil engineering (construction) offered by China University of Geosciences (中國地質大學) through online education in July 2014 and obtained a bachelor's degree in engineering in December 2014. Mr. Ye was qualified as a safety officer (安全員) and a decoration construction officer (裝飾施工員) issued by Guangdong Construction Education Association (廣東省建設教育協會) in November 2011. Mr. Ye was also awarded as "Outstanding Entrepreneur of China Building Decoration in the past thirty years* (中國建築裝飾三十年優秀企業家)" by the CBD Association and China Construction Newspaper (中華建築報社) in December 2014.

Mr. YE Jiajun (葉家俊), aged 29, was appointed as executive Director of the Company on 28 August 2020. Mr. Ye currently also serves as a member of the Strategy Committee of the Company. Mr. Ye joined the Company in August 2019 as the assistant to the general manager of the engineering management center to provide assistance in engineering project management. He began serving as the assistant to the Chairman since May 2020. Mr. Ye worked as the project manager in the investment department of Shenzhen Longbai Capital Investment Management Ltd from October 2017 to July 2019. Mr. Ye is the son of Mr. Ye Yujing (executive Director of the Company) and Ms. Ye Xiujin (executive Director of the Company), the younger brother of Mr. Ye Guofeng (executive Director of the Company and the younger uncle of Mr. ZHUANG Liangbin (the non-executive Director of the Company). Mr. Ye graduated from Guangdong University of Foreign Studies* (廣東外語外貿大學) with a bachelor's degree in finance in July 2017.

Non-executive Director

Mr. ZHUANG Liangbin (莊良彬), aged 37, was appointed as the non-executive Director of the Company on 11 June 2021. Mr. Zhuang is the son-in-law of Mr. YE Yujing (executive Director of the Company) and Ms. YE Xiujin (executive Director of the Company), the younger brother-in-law of Mr. YE Guofeng (executive Director of the Company) and also the elder brother-in-law of Mr. YE Jiajun (executive Director of the Company). Mr. Zhuang obtained a bachelor's degree of environmental art design from South China Normal University in 2011. Mr. Zhuang worked with Mingdiao Decoration Group from 2011 to 2013. He had been responsible for business development and setting the design concepts as the manager of design department of Yayuan Decoration Group from 2013 to 2015. He has been the supervisor and partner of Zhuangziren Design Ltd since 2017.

Independent Non-executive Directors

Mr. LIN Zhiyang (林志揚), aged 67, was appointed as an independent non-executive Director of the Company on 21 August 2015. Mr. Lin also currently serves as the chairman of the Nomination Committee of the Company and a member of the Audit Committee and Strategy Committee of the Company. Mr. Lin obtained his bachelors degree, master degree and doctorate degree all in economics from Xiamen University (廈門大學) in February 1980, February 1985 and September 2002, respectively. Mr. Lin had been working in Xiamen University since February 1985. He was appointed as the vice dean of the corporate management department under the School of Economics from October 1987 to October 1996, and was then promoted to the vice president of the management school and the dean of corporate management department from October 1996 to March 1999. From March 1999 to October 2007, he served as the vice president and was appointed as the secretary of the party committee of the management school from October 2007 to January 2013. Mr. Lin was a professor and a PhD tutor in the business school but now retired. Mr. Lin has served as independent directors in several companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, including Fujian Longxi Bearing (Group) Co., Ltd* (福建龍溪軸承（集團）股份有限公司) (stock code: 600592.SH) from April 2008 to March 2014, Fujian Expressway Development Co., Ltd* (福建發展高速公路股份有限公司) (stock code: 600033.SH) from April 2009 to June 2015, Sanan Optoelectronics Co., Ltd* (三安光電股份有限公司) (stock code: 600703.SH) from November 2007 to November 2013, Fujian Guanfu Modern House hold Joint-stock Company Limited* (福建冠福現代家用股份有限公司) (stock code: 002102.SZ) from October 2008 to June 2015 and Joeone Co., Ltd (九牧王股份有限公司) (stock code: 601566.SH) from May 2019 to May 2022. He served as an independent director in Taiya Shoes Co., Ltd.* (泰亞鞋業股份有限公司) (now known as Kingnet Network Co., Ltd.* (愷英網絡股份有限公司)) (stock code: 002517.SZ), a company listed on the Shenzhen Stock Exchange, Clenergy (Xiamen) Technology Co., Ltd (清源科技（廈門）股份有限公司) (stock code: 603628.SH), a company listed on the Shanghai Stock Exchange, and Fujian Zhangzhou Development Co., Ltd.* (福建漳州發展股份有限公司) (stock code: 000753.SZ), a company listed on the Shenzhen Stock Exchange. Mr. Lin is currently acting as an independent director in Luyan Pharma Co., Ltd. (鷺燕醫藥股份有限公司) (stock code: 002788.SZ), a company listed on the Shenzhen Stock Exchange.

Mr. CAI Huiming (蔡慧明), aged 58, was appointed as the independent non-executive Director of the Company on 26 October 2021. Mr. Cai also serves as the chairman of the Audit Committee and member of the Remuneration Committee of the Company. Mr. Cai is a Chinese Certified Public Accountant and a Chinese Certified Tax Agent, holds a bachelor's degree in finance management from Hunan University of Technology and a master of business administration (MBA) from New York Institute of Technology. He possesses over 30 years of extensive experience in financial management and corporate governance. In 2004, Mr. Cai joined Renrenle Commercial Group Co., Ltd* (人人樂連鎖商業（集團）有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002336.SZ) ("**Renrenle**"). He held multiple key roles within Renrenle, such as acting as chief financial officer (from October 2007 to November 2013), the president (from June 2013 to October 2015) and he served as an executive director of Renrenle from October 2007 to December 2019 (among which he acted as vice chairman of Renrenle from November 2016 to December 2019). He is currently acting as the vice chairman and the secretary of board of directors of Renrenle. Before joining Renrenle, Mr. Cai served as the partner of Shenzhen Zhongqi South China accounting firm.

Mr. SUN Changqing (孫常青), aged 49, was appointed as an independent non-executive director of the Company on 24 June 2022. Mr. Sun currently also serves as the chairman of the Remuneration Committee of the Company and a member of the Audit Committee, Nomination Committee and Strategy Committee of the Company. Mr. Sun graduated from Yulin University in Shaanxi Province in June 1995, obtained a bachelor's degree in physics education, and obtained a master's degree in business administration from Newport University, the United States of America in May 2006. Mr. Sun served as a consultant, deputy general manager, and general manager of Shenzhen Nan Sheng De Management Company Limited* (深圳市南晟德管理顧問有限公司) from May 1996 to March 2012. He has been the chairman of Shaanxi Rui Fu Xing Biological Technology Company Limited* (陝西瑞福興生物科技有限公司) since September 2012.

Mr. ZHOU Wanxiong (周萬雄), aged 52, graduated from Guangdong Provincial Party School in political science and law in March 2001. He obtained a master's degree in business administration from the California University of Management (USA) in November 2006, a bachelor's degree in administrative management from Xiangtan University in November 2009 and a master's degree in public administration from Xiangtan University in December 2015. Mr. Zhou worked at Beijing Innovation and Technology Institute* (北京創新科技研究所) successively as a researcher and deputy director from June 2001 to October 2018. He has been working in Shenzhen City Southern Privately Run Science and Technology Institute since May 2003 and currently serves as the dean. From November 2017 to the present, he has been serving as the vice chairman of the Futian Science and Technology Association of Shenzhen. Mr. Zhou is currently the vice chairman of the Non-Party Intellectuals Friendship Association of Guangdong province, chairman of Futian Non-Party Intellectuals Friendship Association of Shenzhen city, and a member of the 8th Futian National People's Congress Standing Committee; Mr. Zhou is a national soft issue researcher, a visiting professor of Shenzhen Training Base of the National People's Congress and Shenzhen University, an expert of Thinking Tank of Guangdong Institute of Socialism, an expert of Guangdong non-party intellectuals, and an expert of united front, law, policies, science and technology industry and economic Thinking Tank.

SUPERVISORY COMMITTEE

Mr. LI Rui (李銳), aged 45, was appointed as a supervisor of the Company on 1 June 2021. Mr. Li obtained a bachelor degree of metallurgical physical chemistry from Central South University in 2001. Mr. Li served as a secretary of the chairman and then as the marketing manager in China Resources Vanguard Co., Ltd. from October 2001 to March 2005, as the marketing manager and then the sales director in Shenzhen Emoi Lifestyle Co., Ltd from April 2005 to April 2007, and as an assistant to chairman (responsible for investment and mergers & acquisition) in Shenzhen Bond Culture Development Co., Ltd from April 2007 to April 2011. Mr. Li has been the chairman of Shenzhen New Classroom Culture Development Co., Ltd* (深圳市新課堂文化發展有限公司) since June 2012, and concurrently as the general manager of Shenzhen Youju Education Development Co., Ltd* (深圳市優聚教育發展有限公司) since March 2019.

Mr. YE Weizhou (葉偉周), aged 32, was appointed to be a Supervisor as representative of the Company's staff in April 2018. Mr. Ye gained his bachelor's degree in project management from Guangdong Industry University in July 2015. Currently he works as the vice manager of the finance department of the Company. Mr. Ye was granted the certificates of both Quality Control Officer and Safety Officer in May 2015. And he was granted the C level certificates in safety evaluation in September 2015. In July 2017, Mr. Ye was granted the Decoration Quality Officer certificate. In August 2020, Mr. Ye was granted the certificate for safety production as the chief of the building enterprise in Guangdong.

Mr. TIAN Wen (田文), aged 43, was appointed as a non-executive Director of our Company from 12 June 2012 to 19 March 2019 and was mainly responsible for participating in the formulation of our Company's corporate and business strategies. Mr. Tian was appointed as a Supervisor of our Company on 19 March 2019. Mr. Tian graduated from the Faculty of Accounting of the School of Business in Renmin University of China (中國人民大學) with a bachelor's degree in economics in July 2002 and obtained his degree of Master of Business Administration in Finance in November 2012 from the Chinese University of Hong Kong (香港中文大學). Prior to joining our Company, Mr. Tian worked in the assurance department in PricewaterhouseCoopers Zhongtian LLP, Shenzhen office from August 2002 to April 2010, and successively served as junior auditor, senior auditor and deputy manager of the assurance department. Mr. Tian worked in Shenzhen Co-Win Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司) from April 2010 to January 2020. From May 2011 to the present, he is a director in Shanghai Neoent Industrial Co., Ltd.* (上海紐恩特實業有限公司). From January 2020 to April 2020, Mr. Tian was an executive director of HIGHLIGHT CAPITAL. From May 2020 to June 2022, he was the secretary of the board and deputy general manager of Shenzhen Jiansheng Technology Ltd* (深圳市建升科技股份有限公司).

SENIOR MANAGEMENT

Mr. YE Yujing (葉玉敬), was the chief executive officer of the Company appointed from 10 April 2012 to 20 October 2023. For biographical details of Mr. Ye, please refer to the paragraph headed "Executive Directors" above in this section.

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

Mr. WU Jianzhang (伍劍章), aged 42, has been appointed as the chief executive officer of the Company on 20 October 2023. Mr. Wu has been engaged in the real estate industry for 20 years, including over 12 years of senior management experience in large real estate companies. He is skilled in corporate management and marketing planning and is versed in the operation process of the real estate market. Mr. Wu was the regional sales director of Guangdong Hefu Real Estate Properties Limited* (廣東合富房地產置業有限公司) from 2013 to 2016; the regional marketing director of Guangdong of Shenzhen Fangduoduo Network Technology Co., Ltd.* (深圳市房多多網絡科技有限公司) from 2016 to 2018; and the regional general manager of Shaoguan and the regional general manager of Xuzhou of Guangdong Anshun Investment Co., Ltd.* (廣東安順投資有限公司) from 2018 to 2022. Mr. Wu graduated from Guangzhou University and Sun Yat-sen University with a degree in law.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

2022 is a year full of challenges and changes. Affected by the continued impact of the COVID-19 pandemic, under the pressure from the ongoing Sino-US trade war and the subsequent continued decoupling and suppression of China by the West, the PRC economic growth has slowed down. The building decoration industry to which the Group belongs has also been seriously affected by the tightening of regulation and control policies of the real estate and related industries in the PRC.

On the other hand, although the PRC economy is facing tremendous challenges, its huge growth potential remains. While the building decoration industry has encountered its contraction, the market demand on which the industrial development relies remains. As the government's policy on the real estate industries tends to be more favourable, the future development opportunities remain. The building decoration industry will shift from a high-speed growth stage to a high-quality development stage with opportunities and challenges co-existing.

BUSINESS REVIEW

The Group provides professional and comprehensive building decorative services for public and private clients (including state-owned enterprises, government departments and institutions, listed companies, foreign-funded enterprises, property developers and property management companies), mainly covering four areas: (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works. The Group's projects cover a wide range of buildings and properties, including commercial buildings, office buildings, industrial buildings, residential buildings, public buildings and infrastructure as well as hotels.

With over 26 years of operating history, the Group has gained substantial experience and brand reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licenses in the building decoration industry. However, due to the combined impact of the Company's bank debt default, capital chain rupture, lack of solvency, increase in litigation cases, the business in 2022 was significantly reduced.

Since 2013, the Company has been awarded the certificate of "High and New Technology Enterprise (高新技術企業)" ("**HNTE**") by relevant PRC governmental authorities and has been enjoying a preferential enterprise income tax rate of 15%. In 2022, the HNTE Certificate of the Company has been renewed and is valid for three years from 2022 to 2024.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 65.90% from approximately RMB554.51 million for the year ended 31 December 2021 to approximately RMB189.11 million for the year ended 31 December 2022. Such decrease was mainly due to the significant decrease in contract value in 2022.

The Group's gross profit decreased by 61.41% from approximately RMB72.29 million for the year ended 31 December 2021 to approximately RMB27.90 million for the year ended 31 December 2022. The gross profit margin increased from 13.04% for the year ended 31 December 2021 to 14.75% for the year ended 31 December 2022, which was mainly due to the deregistration of subsidiaries in 2021 and the direct management of business by the head office of the Group, which strengthened the Group's ability to manage and control the projects as well as achieve cost savings.

Loss for the year

Loss for the year increased by 68.65% from approximately RMB578.11 million for the year ended 31 December 2021 to approximately RMB975.00 million for the year ended 31 December 2022. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made further provisions in relation to all projects of which certain settlement and payment processes have been delayed after due consideration.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2022 and 2021, the Group's monetary capital (comprising cash and cash equivalents and restricted cash) were approximately RMB12.88 million and RMB33.21 million, respectively. The decrease in the Group's monetary capital was mainly due to the repayment of bank borrowings; the Company's inability to obtain new external funds as a result of the default of the Company's debts; and in order to ensure the completion of projects, direct payment to suppliers by the major procurement customers mainly due to the freezing of the Company's accounts.

On 22 September 2023, the Company announced that "the Restructuring Transactions involves, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the proposed issue of new Domestic Shares under the Specific Mandate; (4) the proposed placing of H Shares under the Specific Mandate; (5) the proposed amendment to the Articles; and continued suspension of trading". The Company intends to utilize all the proceeds from the subscription of Domestic Shares and the placing of H Shares towards the debt restructuring for settling its target reduced debts. The Company will also actively adopt various measures, including but not limited to obtaining new credit lines from financial institutions, enhancing settling and collection of contract assets and account receivables associated with clients and engineering projects, to restore the Company's liquidity. For details, please refer to the announcement of the Company dated 22 September 2023.

1. Trade receivables and contract assets

The trade receivables decreased from approximately RMB647.11 million for the year ended 31 December 2021 to approximately RMB37.21 million for the year ended 31 December 2022. The trade receivables are the amounts due from customers in the ordinary course of business. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made further provisions in relation to all projects of which certain settlement and payment processes have been delayed after due consideration.

The contract assets decreased from approximately RMB415.66 million as at 31 December 2021 to approximately RMB5.52 million as at 31 December 2022. In view of the slowdown in economic growth, the substantial increase in defaults in the real estate industry and defaults by the Company's customers, the Group has made sufficient further provisions in relation to certain contract assets of unsettled projects after due consideration.

2. Trade and other payables

The trade and other payables decreased from approximately RMB536.14 million as at 31 December 2021 to approximately RMB483.87 million as at 31 December 2022, which was mainly due to the demand for settlement with suppliers.

3. Borrowings

As at 31 December 2022, the Group had borrowings in the amount of approximately RMB241.57 million (31 December 2021: approximately RMB245.80 million), majority of which are interest-bearing bank borrowings subject to repayment within one year. The Group's bank borrowings were all at fixed interest rates. As at 31 December 2022, the weighted average effective interest rate was 8.08% (2021: 7.88%) per annum.

In terms of bank borrowings, as at the date of this annual report, the total outstanding bank borrowings due were RMB229.37 million. Including, on 24 May 2023, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a notice of sale of debt collateral assets in the amount of RMB18.42 million in respect of the debt default applied for by Bank of Beijing to the Company; and on 1 June 2023, the People's Court of Futian District, Shenzhen City, Guangdong Province issued a notice of auction of debt collateral assets in the amount of RMB43.51 million in respect of the debt default applied for by Bank of China to the Company.

4. Pledged assets

As at 31 December 2022, the Group's short-term borrowing was secured and pledged by fixed asset of approximately RMB40.18 million in total (31 December 2021: RMB41.8 million), investment property of approximately RMB0.56 million in total (31 December 2021: RMB0.64 million) and trade receivables of approximately RMB216.8 million in total (31 December 2021: trade receivables of RMB216.8 million and time deposit of RMB15.0 million) and guaranteed by certain connected persons.

5. Gearing ratio

The gearing ratio was 597.73% as at 31 December 2022 while the ratio as at 31 December 2021 was 73.43%, which was mainly due to further sufficient provisions made for the Group's trade receivables and contract assets for the year ended 31 December 2022.

Gearing ratio represents net debt divided by total assets. Net debt is calculated as total borrowings plus lease liability, trade and other payables, contract liabilities, deferred income. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

6. Capital expenditure

Capital expenditures decreased from approximately RMB0.1 million for the year ended 31 December 2021 to approximately RMB0 million for the year ended 31 December 2022, which was mainly attributable to the fact that the Group devoted to controlling its capital expenditure in 2022.

7. Capital commitments

As at 31 December 2022, the Group had no capital commitments (2021: nil).

8. Contingent liabilities

As at 31 December 2022, due to financial constraints, overdue bank borrowings and involvement in a number of litigations, the bank deposits of the Group with the total value of approximately RMB11.88 million has been frozen by the courts in the PRC. According to the Group's in-house legal adviser, the Directors estimated that the Group may therefore be liable for payables, interest and default of approximately RMB31.48 million in total and such amount was made provision. As at 31 December 2022, the Group had no material contingent liabilities (2021: RMB14.76 million).

9. 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 management potential fluctuation in foreign currency.

10. Significant investments in, acquisitions or disposal of subsidiaries, affiliated companies or assets

On 21 October 2021, the Company (as vendor) entered into the sale and purchase agreement with Huizhou Zhengdong Building Material Technology Limited* (惠州市正東建材科技有限公司) (as purchaser), pursuant to which, the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase the entire issued share capital of Huidong Yip's Development Company Limited* (惠東葉氏實業發展有限公司), a direct wholly-owned subsidiary of the Company, at a consideration of approximately RMB31.53 million. For details, please refer to the announcements of the Company dated 21 October 2021 and 26 October 2021. As at 31 December 2022, the above matters have not been completed.

Save as disclosed above, the Group did not have any significant investments in, acquisitions or disposal of subsidiaries or affiliated companies or assets during the year ended 31 December 2022.

11. Employees and remuneration policy

The Group had 70 employees as at 31 December 2022 (31 December 2021: 214). During the year ended 31 December 2022, the Group incurred employee costs of approximately RMB13.7 million (the year ended 31 December 2021: approximately RMB22.6 million). The Directors, supervisors (the "**Supervisors**") and senior management of the Company receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses its Directors, supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. The Company regularly reviews and determines the remuneration and compensation packages (including incentive plans) of the Directors, supervisors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors, Supervisors and senior management of the Company and the performance of the Company.

In addition, the Group determines salaries based on each employee's qualifications, position and seniority, and regularly implements systematic and targeted vocational training programs for employees of different levels and in combination with daily works to meet different requirements, with emphasis on individual initiative and responsibility. The Group makes contributions to mandatory social security funds for the benefit of employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

12. Segment information

The management of the Company 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, have 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. The management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Board regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive Directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the year ended 31 December 2022 (the year ended 31 December 2022: same). As at 31 December 2022, all of the non-current assets were located in the PRC (31 December 2021: same).

FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

We are committed to becoming an internationally leading green decoration comprehensive service provider, through debt restructuring, introducing new investors to enter and invest, resolving debt and liquidity risks, and gaining new life.

1. To pay attention to segmented markets and focus on regional development

The Group will actively respond to the national policy of stimulating economic recovery in infrastructure investment, real estate, and building decoration industries to expand its business, adopt a cautious order strategy, tighten selection criteria against high-quality customers for newly signed orders, empower the Company's building decoration business with technology, and improve the Company's competitiveness. The Group will mainly support and develop businesses in the medical and hotel segments, focusing on the development of the "Guangdong-Hong Kong-Macao Greater Bay Area" to continuously consolidate and highlight its advantages in the segments.

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

The Group will continue to optimize the project management process and improve the efficiency of the project management through business process re-engineering and innovative solution. We will optimize business models, strengthen risk control and liquidity management based on changes in national industry management.

3. Enhance talent reserve

The Group will strengthen the construction of corporate culture, optimize the existing personnel of the Company, hire outstanding management and project manager talents in the industry, and create a "market development oriented, business professional, and career enterprising management composite" team.

4. Explore new business opportunities

While focusing on developing its core business, the Company will explore new business opportunities and businesses with new investors, expand into new energy and technological innovation sectors, moving from traditional architectural decoration service enterprises to technological innovation fields.

The Directors hereby present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

The Group’s performance by segments is set out in the section headed “Management Discussion and Analysis” of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2022 and the financial information of the Group as at 31 December 2022 are set out in the consolidated financial statements of this annual report. An analysis of the Group’s performance using financial key performance indicators is provided in the section headed “Financial Summary” in this annual report.

BUSINESS AND FINANCIAL REVIEW

The fair review of business, analysis of key financial performance indicators and financial review of the Group for the year ended 31 December 2022 and a discussion on the Group’s future development are set out in the section each headed “Financial Summary”, “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

KEY RISKS AND UNCERTAINTIES

Business and Market

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

In addition, the Group is susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. The real estate industry as a whole is experiencing liquidity difficulties, industry-wide debt defaults are increasing, and the Company's new contracts are decreasing. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial

The major financial risks faced by the Group are interest risk, credit risk and liquidity risk. Affected by the overall economic environment and the real estate industry, the Group defaulted on bank debts and experienced liquidity difficulties. The management regularly analyses and formulates measures to manage these risks to which the Group were exposed, actively resolves debt risks and seeks debt restructuring opportunities. The risk management objectives and policies of the financial risk are set out in the notes to the financial statements of this annual report.

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

TAX RELIEF AND EXEMPTION

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2022, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the year are set out in note 8 to the financial statements.

RETIREMENT BENEFIT SCHEME

The employees of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Company are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the Group's retirement benefit schemes are set out in note 2.22 to the financial statements in this annual report.

EVENTS AFTER THE REPORTING PERIOD

1. **Breaches of the terms of the loan agreements**

   From 31 December 2022 up to the date of this annual report, the loans amounted to approximately RMB206.29 million in total from 7 banks were due, and the Group failed to repay or renew the due loan. As of the date of this annual report, the accumulated due and outstanding bank loans of the Group involved 8 banks, amounting to approximately RMB229.37 million in total.

   According to Rule 13.19 of the Listing Rules, the Group has breached the terms of its loan agreement with the aforementioned banks while the Group has yet to obtain a waiver from these banks in respect of the defaults and aforementioned banks demanded the immediate repayment from the Group.

   The Company will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

2. Bankruptcy Restructuring Matters

On 11 August 2023, the Company announced that "Inside Information — Bankruptcy Restructuring Petition" and has received a letter of notification from Yangxi County Kaihui Real Estate Development Co., Ltd.* (陽西縣凱匯房地產開發有限公司) ("**Kaihui**"). Kaihui considered that the Company has failed to pay the principal amount of RMB6,904,444 and interest as confirmed in the Judicial Confirmatory Judgment from the People's Court of Futian District, Shenzhen and the Company is currently insolvent. However, as the Company is highly recognized in the industry with a large number of high-quality qualifications, showing that the Company has bankruptcy restructuring value, Kaihui has applied to Shenzhen Intermediate People's Court (the "**Court**") for bankruptcy restructuring of the Company on 10 August 2023. For details, please refer to the announcement of the Company dated 14 August 2023.

On 22 September 2023, the Company announced that "the Restructuring Transactions involves, inter alia, (1) the Debt Restructuring; (2) the Capital Reduction; (3) the proposed issue of new Domestic Shares under the Specific Mandate; (4) the proposed placing of new H Shares under the Specific Mandate; and (5) proposed amendment to the Articles; and continued suspension of trading". For details, please refer to the announcement of the Company dated 22 September 2023.

On 25 September 2023, the Company announced that "Inside Information — Bankruptcy Restructuring" and has made an application to the Shenzhen Intermediate People's Court for bankruptcy restructuring. For details, please refer to the announcement of the Company dated 26 September 2023.

The Company will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

3. Resumption Guidance and Continued Suspension of Trading

Under Rule 13.50A of the Listing Rules, in view of the disclaimer of opinion of auditor's report for year 2021 (other than the going concern disclaimer), trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended pending the Company's fulfillment of the Resumption Guidance (as defined below).

On 8 July 2022, the Company received a letter from the Stock Exchange referring to the disclaimer of opinion expressed by the Company's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP on the Company's financial statements for the year ended 31 December 2021 in relation to (a) material uncertainties on going concern; and (b) the Company's account receivables, prepayment and contracts assets (the "**Disclaimer of Opinion**") and the letter set out the following guidance for the resumption of trading in the shares of the Company (the "**Initial Resumption Guidance**"):

(i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A of the Listing Rules; and

(ii) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

In light of the Company's failure to publish its annual results as at 31 December 2022 before 31 March 2023, the Company received a letter from the Stock Exchange dated 29 March 2023 setting out the additional resumption guidance (the "**Additional Resumption Guidance**"). The Company needs to publish all outstanding financial results and address any audit modifications.

In addition to the Initial Resumption Guidance and the Additional Resumption Guidance, the Company received a letter dated 26 September 2023 from the Stock Exchange setting out the following further additional resumption guidance (the "**Further Additional Resumption Guidance**", together with the Initial Resumption Guidance and the Additional Resumption Guidance, the "**Resumption Guidance**"): the Company has to demonstrate compliance with Rule 13.24 of the Listing Rules.

The Stock Exchange reminded that during a suspension period, the Company should fulfill its obligations and responsibilities as set forth in the Resumption Guidance.

The Company is committed to using its best endeavours to fulfill the Resumption Guidance as soon as practicable, and will make further announcement(s) in relation to the progress of the resumption plan as and when appropriate.

4. Updates on Progress of Resumption

The Board would like to provide the shareholders of the Company and potential investors with updates on progress of resumption of the Company:

(1) Disclaimer of opinion on others:

The Company has published its 2022 annual results announcement on 28 September 2023 and will publish its 2023 interim results announcement on 20 October 2023.

In response to reply letters in the previous year which was insufficient, leading to the issue of disclaimer of opinion, the Company conducted special actions of account receivables, contract assets, prepayments and other receivables. The finance department led the business department to visit the customers' situation and projects, communicated and pressed for payment by phone, Wechat, email and other ways. While initiating legal action against some of the customers with large overdue amount, the Company provided bad debts in full for the customers with extremely difficult operations, which had been deregistered, could not be reached and have a very low possibility of collection of receivables. On the basis of the Company's sortings, the auditor has conducted reviews, reviewed judgments, confirmation, and alternative tests for recovery of subsequent repayment, and obtained sufficient evidence to confirm the accuracy of the current exact amounts of the Company's account receivables, contract assets, prepayments and other receivables after sortings.

(2) Quarterly updates:

(i) Business operations

The Company is principally engaged in the provision of professional and comprehensive architectural decoration services to public and private customers in China. Affected by the liquidity of the Group, the overall business volume of the Company in 2023 is significantly reduced, but all major production operations are in normal and orderly progress.

(ii) Liquidity issues

On 22 September 2023, the Company has announced the Restructuring Transactions involving, inter alia, (i) the Debt Restructuring; (ii) the Capital Reduction; (iii) the proposed issue of new Domestic Shares under the Specific Mandate; (iv) the proposed placing of new H Shares under the Specific Mandate; and (v) proposed amendment to the Articles; and (vi) continued suspension of trading. The Company intends to reduce the Company's debt and finance costs to restore the Company's liquidity through debt restructuring.

(iii) Actively preparing for pre-restructuring

On 25 September 2023, the Company has made an application to the Shenzhen Intermediate People's Court for bankruptcy restructuring. The Company will keep its shareholders and potential investors informed of the updated information as and when appropriate.

Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 30 September 2023. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 30 September 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

Save as disclosed above, the Group does not have any material matters that are required to be disclosed from 31 December 2022 up to the date of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2022 is as follows:

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

DIVIDEND POLICY

The Company has established its dividend policy. When the Company records a profit and after taking into account other relevant factors, we would pay dividend to our Shareholders according to the articles of association of the Company (the "**Articles of Association**") and applicable laws. However, such dividend is non-guaranteed. Our decision on dividend distribution depends on the financial situation of the Company, future market prospects, funding needs the Company and any other relevant factors which the Company thinks fit. The remaining profits after dividend payout (if any) would be used for the business development of the Company.

PUBLIC FLOAT

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

PROPERTY AND EQUIPMENT

For the year ended 31 December 2022, the Group acquired additional property and equipment of approximately RMB0.05 million.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2022 are set out in Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2022, and of which details of reserves available for distribution to Shareholders are set out in the Note 23 to the financial statements of this annual report.

BORROWINGS

Particulars of borrowings of the Group during the year ended 31 December 2022 are set out in the Note 25 to the financial statements.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

From 31 December 2022 up to the date of this annual report, the loans amounted to approximately RMB206.29 million in total from 7 banks were due, and the Group failed to repay or renew the due loan. As of the date of this annual report, the accumulated due and outstanding bank loans of the Group involved 8 banks, amounting to approximately RMB229.37 million in total.

According to Rule 13.19 of the Listing Rules, the Group has breached the terms of its loan agreement with the aforementioned banks while the Group has yet to obtain a waiver from these banks in respect of the defaults and aforementioned banks demanded the immediate repayment from the Group.

The Company will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

The breakdown of due and outstanding bank loans from the above 8 banks is as follows:

No.	Lending bank	Loan interest rate (APR)	Outstanding balance of the loan (RMB'0000)	Maturity date of the loan
1	Bank of China Limited	6.09%	4,351.27	2022/4/15
2	China Construction Bank Corporation	5.65%	4,802.60	2022/7/11
3	Industrial Bank Co., Ltd.	6.09%	924.84	2022/10/14
4	Bank of Beijing Co., Ltd.	5.44%	1,842.46	2022/3/16
5	Industrial and Commercial Bank of China Limited	5.60%	1,438.16	2021/12/17
6	Hua Xia Bank Co., Limited	6.90%	2,308.00	2022/4/28
7	Shenzhen Rural Commercial Bank Co., Ltd.	8.00%	3,000.00	2022/4/22
8	Bank of Shanghai Co., Ltd.	6.01%	4,269.90	2022/12/21
Total			22,937.23	

The interest rate of the loan shall be the annual interest rate. If the default occurs from the date of default, the original agreed annual interest rate shall be increased by 50%.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2022 represented approximately 16.7% (31 December 2021: 12.1%) and 48.6% (31 December 2021: 31.4%), respectively, of the Group's total revenue.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2022 represented approximately 6.4% (31 December 2021: 7.5%) and 19.0% (31 December 2021: 31.4%), respectively, of the Group's total purchases.

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

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. YE Yujing (葉玉敬先生) *(Chairman and the chief executive officer)*
Mr. YE Jiajun (葉家俊先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)

Non-executive Directors

Mr. ZHUANG Liangbin (莊良彬先生)
Ms. LI Yuanfei (黎媛菲女士) *(Resigned on 10 June 2022 due to personal career development)*

Independent Non-executive Directors

Mr. LIN Zhiyang (林志揚先生)
Mr. CAI Huiming (蔡慧明先生)
Mr. SUN Changqing (孫常青先生) *(Appointed on 24 June 2022)*
Mr. ZHOU Wanxiong (周萬雄先生) *(Appointed on 24 June 2022)*
Ms. ZHAI Xin (翟昕女士) *(Retired on 24 June 2022)*

The supervisors of the Company (the "**Supervisors**") during the year and up to the date of this annual report were as follows:

Mr. LI Rui (李銳先生)
Mr. YE Weizhou (葉偉周先生)
Mr. TIAN Wen (田文先生) *(Resigned on 28 August 2023 due to personal career development needs)*

The biographical details of the Directors and Supervisors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report.

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

As of 31 December 2022, the interests or short positions of the Directors, Supervisors and the chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Long/short position	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company *(Note 1)*	Approximate percentage of shareholdings in the total share capital of the Company *(Note 2)*
YE Yujing (葉玉敬) *(Note 3)*	Beneficial Owner	Long position	67,694,000	37.99%	28.10%
	Interest of spouse	Long position	15,504,000	8.70%	6.44%
YE Xiujin (葉秀近) *(Note 4)*	Beneficial Owner	Long position	15,504,000	8.70%	6.44%
	Interest of spouse	Long position	67,694,000	37.99%	28.10%
YE Guofeng (葉國鋒) *(Note 5)*	Interest in a controlled corporation	Long position	6,075,000	3.41%	2.52%
YE Jiajun (葉家俊)	Beneficial Owner	Long position	1,000,000	0.56%	4.20%

Notes:

1. The calculation is based on 178,167,645 Domestic Shares of the Company in issue as at 31 December 2022.

2. The calculation is based on the total number of 240,930,645 Shares of the Company in issue as at 31 December 2022 (including 178,167,645 Domestic Shares and 62,763,000 H Shares).

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.

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

As at 31 December 2022, so far as the Directors, Supervisors and the chief executive officer of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders (other than Directors, Supervisors and the chief executive officer 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	Long/short position	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company (Note 1)	Approximate percentage of shareholdings in the total share capital of the Company (Note 2)
Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區瀛享投資中心(有限合夥)) (Note 3)	Domestic Shares	Beneficial Owner	Long position	12,580,645	7.06%	5.22%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺瀛華股權投資中心(有限合夥)) (Note 4)	Domestic Shares	Beneficial Owner	Long position	10,000,000	5.61%	4.15%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) (Notes 3 and 4)	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) 深圳前海興旺投資中心(有限合夥) (Notes 3 and 4)	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
Xiong Mingwang (熊明旺) (Notes 3 and 4)	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥)) (Note 5)	Domestic Shares	Beneficial Owner	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Asset Management Holding Company Limited (深圳同創偉業資產管理股份有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Zheng Wei He (鄭偉鶴) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Huang Li (黃荔) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Ding Bao Yu (丁寶玉) (Note 5)	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%

Notes:

1. The calculation is based on 178,167,645 Domestic Shares and 62,763,000 H Shares (as the case may be) of the Company in issue as at 31 December 2022.

2. The calculation is based on the total number of 240,930,645 Shares of the Company in issue as at 31 December 2022 (including 178,167,645 Domestic Shares and 62,763,000 H Shares).

3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) ("**Ningbo Yingxiang**"), a limited partnership incorporated in the PRC on 10 May 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management (深圳前海興旺投資管理). Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("**Ningbo Xingwang Yinghua**"), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd ("**Shenzhen Qianhai Xingwang Investment Management**"), 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. 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, (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), 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.

PERMITTED INDEMNITY PROVISIONS

Save as the following, at no time during the year ended 31 December 2022, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors. The Company has arranged appropriate insurance for legal actions that may be faced by Directors.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

On 17 May 2022, Mr. LIN Zhiyang, an independent non-executive Director, has resigned as an independent Director of Joeone Co., Ltd (九牧王股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601566.SH), due to the expiry of his term.

Upon specific enquiry by the Company and following confirmations from the Directors and supervisors, save as disclosed above, since the date of publication of the previous annual report, there is no change in the information of the Directors and supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During any time in the year ended 31 December 2022, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director and Supervisor, or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTION

There are no non-exempt connected transactions or continuing connected transactions under the Chapter 14A of the Listing Rules conducted or entered into by the Group for the year ended 31 December 2022.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the Group had no related party transactions.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

No contract of significance has been entered into among the Company and its Controlling Shareholders or any of their associates during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2022.

DEED OF NON-COMPETITION

To ensure that competition will not exist in the future, Mr. Ye Yujing and Ms. Ye Xiujin as the Company's controlling shareholders (the "**Controlling Shareholders**") have entered into deed of non-competition (the "**Deed of Non-Competition**") with the Company to the effect that each of them will not, and will procure their subsidiaries (other than the Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, the principal business and other businesses.

NON-COMPETITION

The Group entered into the Deed of Non-Competition with the Controlling Shareholders on 16 September 2015 under which the Controlling Shareholders agreed not to, and to procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, compete, either directly or indirectly, with the principal business and other businesses, namely the design, survey and consultancy business and civil defense products manufacturing business, and granted to the Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

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

The Company's independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition by the Controlling Shareholders, and were satisfied that the terms of the Deed of Non-Competition had been duly complied with for the year ended 31 December 2022. The measures which the Company has adopted to ensure the compliance with the Deed of Non-Competition include:

(1) The Company has enquired with each of the Controlling Shareholders on whether each of the Controlling Shareholders or any of his/her close associates has engaged in any business which may directly or indirectly compete or may compete with the principal business of the Company, other than being a Director or Shareholder of the Company;

(2) The Company and the Board have requested the Controlling Shareholders to confirm to the Company regarding the compliance of the terms of the Deed of Non-Competition and the enforcement of undertakings under the Deed of Non-Competition. The Controlling Shareholders confirmed to the Company that they have complied with the terms of the Deed of Non-Competition for the year ended 31 December 2022; and

(3) The Company and the Board are not aware of any breach of the Deed of Non-Competition by the Controlling Shareholders for the year ended 31 December 2022.

DIRECTORS' COMPETING INTERESTS

Save as disclosed in this annual report, none of the Directors has any interests in any business which directly or indirectly competes or is likely to compete with the Group's principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2022.

DONATION

During the year ended 31 December 2022, the Group did not make any charitable and other donations (2021: RMB0.1 million).

DEBENTURES ISSUED

The Company did not issue any debentures during the year ended 31 December 2022.

SIGNIFICANT LITIGATION AND ARBITRATION

During the year ended 31 December 2022, the Group, as a defendant, was involved in 128 litigations with a total of approximately RMB302.85 million mainly related to bank debt defaults and disputes on payments of labor and material in the ordinary course of business. As at 31 December 2022, the Group's bank deposits of approximately RMB11.88 million in total were frozen by the PRC court. Based on the advice of the Group's internal legal advisor, the Directors estimated that the Group may therefore be liable for payables, interest and default of approximately RMB31.48 million, which have been provided for. During the year ended 31 December 2022, the Group was required to make immediate payment of approximately RMB270.85 million based on the judgment of the 97 lawsuits. As at the date of this annual report, there are still 31 ongoing litigations with an aggregate amount of approximately RMB32 million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

REVIEW OF THE AUDIT COMMITTEE

The Audit Committee of the Board and the management team of the Company have reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the annual results of the Group for the year ended 31 December 2022.

AUDITOR

PricewaterhouseCoopers served as the auditor of the Company from 25 November 2016 (being the date of the Company's listing on the main board of the Stock Exchange) to 4 January 2021. BDO China Shu Lun Pan Certified Public Accountants LLP served as the auditor of the Company from 4 January 2021 to 1 September 2022. Asian Alliance (HK) CPA Limited served as the auditor of the Company from 29 September 2022 to 31 July 2023. Elite Partners CPA Limited was appointed as the auditor of the Company since 31 July 2023. Elite Partners CPA Limited will retire at the forthcoming annual general meeting. The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Elite Partners CPA Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 of the Listing Rules is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

ENVIRONMENTAL PROTECTION

The Group's business operations are subject to a number of environmental protection laws, regulations, policies and standards in the PRC, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物環境污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》).

The Group is committed to minimising the adverse impact on the environment resulting from the Group's business activities. In order to promote environmental awareness and ensure compliance with the applicable environmental protection laws, regulations, policies and standards, the Group has established an environmental management system, which has obtained certification to ISO 14001. The Directors are of the view that the annual cost of compliance with the applicable environmental protection laws, regulations, policies and standards was not material during the year ended 31 December 2022 and the cost of such compliance is not expected to be material going forward.

WORKING ENVIRONMENT

The Group believes that its long-term development depends on the Group's standardised and pragmatic management philosophy and flexible and innovative business ideas, as well as the expertise and work experience of its employees. The Group determines salaries based on each employee's qualifications, position and seniority, and implements systematic and targeted vocational training for employees of different levels on a regular basis and in combination with daily work to meet different requirements, and attaches importance to individual initiative and responsibility. The Group makes contributions to mandatory social security funds for the benefit of employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund.

During the year, in order to adapt to the changes in economic environment and market, the Group implemented staff reduction and efficiency enhancement measures according to the actual situation of the Company. As at 31 December 2022, the Group had total of 70 employees. The following table provides a breakdown of the Group's employees by function:

Function	Number of employees
Administration and management	22
Project management	7
Design	4
Research and development	12
Technical resource	3
Procurement	3
Sales and marketing	6
Accounting and finance	13
Total	70

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

In addition to the 7 project management staff mentioned above, there are 17 employees working in other departments involved in our project management as project managers. And apart from these 12 research and development personnel listed above, 7 of our employees in other departments work together on our research and development initiatives. For the avoidance of double counting, the aforesaid 17 and 7 employees are not included in "Project Management" and "Research and Development" in the table.

OCCUPATIONAL HEALTH SAFETY

Safety Management System

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

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

COMMUNITY INVOLVEMENT

As always, the Group is committed to fulfilling its corporate social responsibility by organising employees to participate in volunteer activities such as traffic maintenance, garbage classification, animal protection, marine protection and elderly care in communities and streets.

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, 28 September 2023

* *For identification purpose only*

SUPERVISORS' REPORT

The current session the Supervisory Committee consists of three Supervisors (namely Mr. Li Rui (李鋭先生), Mr. YE Weizhou (葉偉周先生) and Mr. TIAN Wen (田文先生).

WORK OF THE SUPERVISORY COMMITTEE

During the year ended 31 December 2022, all members of the Supervisory Committee earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements Law of the PRC, relevant regulations and the Articles of Association; Supervisors attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management, thereby promoting the Company's standard operation and healthy development.

The annual meeting of the Supervisory Committee was held on 9 November 2023 to consider the 2022 consolidated financial statements of the Group and the annual report of Supervisory Committee for 2022 and the 2022 annual results announcement of the Company.

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

The Supervisory Committee agreed with the audit opinion on the 2022 consolidated financial statements of the Group, and that the consolidated financial statements of the Group have given a true and fair view of the consolidated financial position and the consolidated financial performance of the Group.

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

In 2023, the Supervisory Committee will continue to carry out its fiduciary duties to implement effective supervision on the Company, its Directors and senior management in accordance with the relevant provisions of the Company Law of the PRC, the Articles of Association and the Listing Rules; and pay close attention to the operation and management status of the Company as well as any significant development of the Company, so as to facilitate the profit growth of the Company and to dutifully protect the interest of all Shareholders of the Company.

On Behalf of the Supervisory Committee
Mr. Li Rui
Chairman

Shenzhen, the PRC, 8 November 2023

CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of business ethics and corporate governance. The Company firmly believes that conducting business in a responsible, transparent and fair manner is essential to achieving the long-term business objectives of the Company and the Group. By adhering to these principles, the interests of the Group and its Shareholders can be enhanced in the long run. The Company has been committed to fulfilling its responsibilities to the Shareholders to ensure that the proper processes for overseeing and managing the Group's business are properly operated and reviewed, and have maintained sound corporate governance practices and procedures throughout the year ended 31 December 2022.

The Company has adopted the principles and code provisions under the Corporate Governance Code set out in part 2 of Appendix 14 to the Listing Rules (the "**CG Code**"). For the year ended 31 December 2022. The Company has fully complied with all applicable code provisions as set out in the CG Code, except for code provision C.2.1 of the CG Code as more particularly described below:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Ye Yujing currently performs these two roles, which enables more effective and efficient overall strategic planning of the Group. The Board continues to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Mr. Ye Yujing ceased to be the chief executive officer of the Company with effect from 20 October 2023. Mr. Wu Jianzhang was appointed as the chief executive officer of the Company with effect from 20 October 2023.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year.

BOARD OF DIRECTORS

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

Executive Directors:	Mr. YE Yujing (葉玉敬先生) *(Chairman and chief executive officer, resigned as the chief executive officer on 20 October 2023)* Mr. YE Jiajun (葉家俊先生) Ms. YE Xiujin (葉秀近女士) Mr. YE Guofeng (葉國鋒先生)
Non-executive Directors:	Mr. ZHUANG Liangbin Ms. LI Yuanfei (黎媛菲女士) *(Resigned on 10 June 2022)*
Independent Non-executive Directors:	Mr. CAI Huiming Mr. LIN Zhiyang (林志揚先生) Mr. SUN Changqing (孫常青先生) *(Appointed on 24 June 2022)* Mr. ZHOU Wanxiong *(Appointed on 24 June 2022)* Ms. ZHAI Xin (翟昕女士) *(Resigned on 24 June 2022)*

Their biographical and (where applicable) their family relationships are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" in the annual report. The list of Directors and their roles and functions are available on the Company's website and the website of the Stock Exchange.

As disclosed in the annual report, there is no financial, business, family or other material/relevant relationships among members of the Board.

A Director shall be elected at the general meeting, with a term of office of three years commencing on the date of election. Upon expiry of his term, a Director shall be eligible for re-election.

The functions and duties of the Board include but are not limited to: convening general meetings and reporting the Board's work at the general meetings; implementing the resolutions passed at the general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with the Company. The Board may delegate certain functions to the management team of the Group. The management team is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

According to the requirements in the code provision C.1.8 of the CG Code, the Company arranged appropriate insurance cover in respect of legal action against its Directors.

DIRECTORS' CONTINUAL TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Company in due course keeps Directors updated on the Listing Rules and other regulatory and reporting requirements changes and developments. To develop and refresh their knowledge and skills, the Directors are expected to participate in appropriate continuous professional development training that covers updates on laws, rules and regulations and also directors' duties and responsibilities. During the year of 2022, all the Directors received and read materials on recent amendments to the Listing Rules, etc. The Group has been encouraging the Directors to attend relevant learning courses on corporate governance.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

BOARD INDEPENDENCE

Pursuant to the CG Code, the Company has established a mechanism within the governance framework to ensure that the Board is provided with independent views and opinions. During the year, the Board has reviewed the implementation and effectiveness of the mechanisms and considered the mechanisms effective. The key mechanisms under the Company's governance framework are summarised below:

Composition of the Board and Board Committees

More than one-third of the Board are Independent Non-executive Directors and the Audit Committee, the Nomination Committee and the Remuneration Committee are chaired by Independent Non-executive Directors.

The Nomination Committee reviews the composition of the Board annually to ensure that the number of independent non-executive Directors meets or exceeds the independence requirements of the Listing Rules.

Responsibilities of Directors

Directors (including independent non-executive Directors) are responsible for making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. Directors with different views are encouraged to voice their concerns to ensure that independent views and opinions are provided to the Board.

The Chairman of the Board promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors and independent non-executive Directors in particular and ensuring constructive relations between executive and non-executive and independent non-executive Directors.

Criteria for Assessing Independence of Independent Non-executive Directors for Appointment and Re-election

The suitability of a candidate to be appointed and a Director to be re-elected as an independent non-executive Director will be assessed in accordance with the assessment criteria and guidelines set out in the nomination policy of the Company, including, among others, their independence and potential/actual conflict of interests that may arise if the candidate is appointed/re-elected.

Annual Review of Independence of Independent Non-executive Directors

The independence of the independent non-executive Directors is reviewed annually by the Nomination Committee pursuant to Rule 3.13 of the Hong Kong Listing Rules.

Independent Non-executive Directors' Emoluments

None of the independent non-executive Directors is remunerated based on the performance of the Group.

Independent Professional Advice

All Directors, including independent non-executive Directors, are able to obtain external independent professional advice in due course.

Meetings with Independent Non-executive Directors

The Chairman of the Board holds at least one meeting annually with the independent non-executive Directors without the presence of other Directors to facilitate the independent non-executive Directors to express their views.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference of the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee are respectively available on the Company's website and the website of the Stock Exchange. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Company has established an Audit Committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the code provision D.3.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

The Audit Committee consists of three members, being Mr. CAI Huiming (independent non-executive Director), Mr. LIN Zhiyang (independent non-executive Director) and Mr. SUN Changqing (independent non-executive Director). Mr. CAI Huiming serves as the chairman of the Audit Committee. There were 6 meetings held by the Audit Committee during the year ended 31 December 2022, among others, to review the annual results and report for the year ended 31 December 2021 and the interim results and report for the six months ended 30 June 2022, to discuss the follow-up work arrangements in relation to the outstanding and audit of the financial statements, the matters of the auditors' disclaimer of opinion to be resolved, the responses to the debt default issues, the acceleration of receivables collection and market expansion, to review the significant issues in relation to the financial reporting and compliance procedures, the internal control and risk management systems, to discuss the scope of work and appointment of the external auditors and to discuss with the new auditors the discussion on the disclaimer of opinion in the 2021 financial audit report.

The Audit Committee has reviewed, among other things, the consolidated financial statements of the Group for the year ended 31 December 2022 including the accounting principles and practices adopted by the Group, report prepared by the external auditor covering major findings in the course of the audit, the risk management and internal control systems and the overall effectiveness of the Company's internal audit function and the adequacy of resources, qualifications and experience of the staff and the accounting and financial reporting matters, and selection and appointment of the external auditor.

Remuneration Committee

The Company has established a Remuneration Committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the code provision E.1.2 of the CG Code. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration of Directors and our senior management and to recommend members of the Board.

The Remuneration Committee consists of three members, being Mr. YE Guofeng (executive Director), Mr. CAI Huiming (independent non-executive Director) and Mr. SUN Changqing (independent non-executive Director). Mr. SUN Changqing serves as the chairlady of the Remuneration Committee.

There was 1 meeting held by the Remuneration Committee during the year ended 31 December 2022, including reviewing the remuneration policy and structure relating to the Directors and senior management of the Company and making recommendations to the Board on the formulation and optimization of the remuneration policy for Directors and senior management.

Remuneration of Senior Management

The biographies of the senior management are disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of the senior management for the year ended 31 December 2022 is as follows:

Remuneration band (RMB)	Number of individuals
0–1,000,000	2

Nomination Committee

The Company has established a Nomination Committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and code provision B.3.1 of the CG Code. The primary duties of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

The Nomination Committee consists of three members, being Mr. LIN Zhiyang (independent non-executive Director), Mr. YE Yujing (executive Director) and Mr. SUN Changqing (independent non-executive Director). Mr. LIN Zhiyang serves as the chairman of the Nomination Committee.

There was 2 meetings of the Nomination Committee held for the year ended 31 December 2022, including reviewing the policy for the nomination of Directors, structure, size and composition of the Board, assessing the independence of the independent non-executive Directors, reviewing the Board's policy for the nomination of Directors, the Board's diversity policy and its implementation, and nominating candidates for Directors to the Board.

Board Diversity Policy

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

(1) at least one-third of the members of the Board shall be independent non-executive Directors;

(2) at least one of the members of the Board shall have obtained accounting or other professional qualifications;

(3) at least 70% of the members of the Board shall have more than ten years of experience in the industry he/she is specialised in; and

(4) at least two of the members of the Board shall have building decoration-related work experience.

During the year, the Board has fulfilled the measurable objectives of the Board Diversity Policy and is satisfied with the implementation and effectiveness of the existing Board Diversity Policy.

As at 31 December 2022, in terms of gender ratio of workforce, 46% was male and 54% was female. The Group's approach to recruit and retain talents is to hire a diverse team, work together and encourage differences and individuality in terms of equal opportunities, diversity and anti-discrimination. In order to improve efficiency, the Group has not set measurable objectives for achieving gender diversity at the labour level, the Company is determined to adopt a merit-based and diversity approach to provide equal consideration and opportunities for all qualified candidates during the recruitment and promotion process. The Company will conduct regular assessment on diversity perspectives, measurable objectives and the process for achieving diversity objectives. The Board is satisfied with the gender ratio of the Company's workforce as at 31 December 2022.

Nomination Policy

The Nomination Committee identifies candidates suitably qualified to become Board members of the Company and selects or makes recommendations to the Board on candidates to be nominated for Directors in order to ensure that the Board members possess the skills, experience and diversified perspectives necessary for the business of the Company. The Nomination Committee will consider the following factors in assessing a candidate, including but not limited to requirements of the Articles of Association, skills, experience and expertise, diversity, commitment, standing and independence.

The procedures for nomination of the Directors of the Company are as follows:

(i) Subject to the number of Board members specified in the Articles of Association, people who have the right of nomination may propose candidate(s) for the intended number of Directors to be elected.

(ii) For the purpose of nomination, the chairman of the Nomination Committee shall convene a meeting of the Nomination Committee and invite the Board members to provide a name list, if any, to the Nomination Committee for consideration prior to such meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(iii) The Nomination Committee will conduct a preliminary review on the appointment qualification and condition of the candidates for Directors and the eligible candidates will be reviewed by the Board; upon consideration and approval by the Board, a written proposal regarding the candidates for Directors will be put forward to the general meeting; the Nomination Committee or any other organisation authorised by the Board is responsible for the specific matters related to the election of Directors.

(iv) In order to provide particulars of the candidates nominated by the Board to stand for election at the general meeting and invite Shareholders to nominate candidates, the Company will dispatch to its Shareholders a circular on which the deadline for Shareholders to submit nomination will be specified. Particulars of the candidates will be set out in the circular to be dispatched to the Shareholders in accordance with the applicable laws, rules and regulations.

(v) Until the issue of the Shareholder circular, the nominees shall not assume that they have been recommended by the Board to stand for election at the general meeting.

During the year, the Board and the Nomination Committee had dealt with the nomination of new appointed Directors and re-election of retiring Directors in accordance with the Nomination Policy.

Strategy Committee

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

The Strategy Committee consists of five members, being Mr. YE Yujing (executive Director), Mr. SUN Changqing (independent non-executive Director), Mr. LIN Zhiyang (independent non-executive Director), Mr. YE Jiajun (executive Director) and Mr. YE Guofeng (executive Director). Mr. YE Yujing serves as the chairman of the Strategy Committee.

There was 1 meeting of the Strategy Committee for the year ended 31 December 2022, including studying and making recommendations on the Company's long-term development and strategic plans, as well as studying and making recommendations on the major projects of the capital operation and asset management that required the Board's approval under the Articles of Association.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

For the year ended 31 December 2022, the Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continual professional development of Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report of Directors' continual training, and independence of independent non-executive Directors.

BOARD MEETINGS, BOARD COMMITTEES MEETINGS AND GENERAL MEETINGS

Attendance Record of Directors

The below table sets out the attendance of each Director to the Board meetings, Board Committee meetings and general meetings for the year ended 31 December 2022:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	General Meeting
Executive Directors						
Mr. YE Yujing	7/7	N/A	N/A	2/2	1/1	2/2
Ms. YE Xiujin	7/7	N/A	N/A	N/A	N/A	2/2
Mr. YE Guofeng	7/7	N/A	1/1	N/A	1/1	2/2
Mr. YE Jiajun	7/7	N/A	N/A	N/A	1/1	2/2
Non-Executive Directors						
Mr. ZHUANG Liangbin	7/7	N/A	N/A	N/A	N/A	2/2
Ms. LI Yuanfei *(Note 1)*	0/3	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. CAI Huiming	7/7	6/6	1/1	N/A	N/A	2/2
Mr. LIN Zhiyang	7/7	6/6	N/A	N/A	1/1	2/2
Mr. SUN Changqing *(Note 2)*	7/7	6/6	N/A	2/2	N/A	1/1
Mr. ZHOU Wanxiong *(Note 3)*	7/7	N/A	N/A	N/A	N/A	1/1
Ms. ZHAI Xin *(Note 4)*	3/3	2/2	1/1	2/2	1/1	1/1

Notes:

(1) Ms. LI Yuanfei resigned as a non-executive Director on 10 June 2022.

(2) Mr. SUN Changqing was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Strategy Committee on 24 June 2022.

(3) Mr. ZHOU Wanxiong was appointed as an independent non-executive Director on 24 June 2022.

(4) Ms. ZHAI Xin resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee on 24 June 2022.

During the year ended 31 December 2022, the chairman of the Board also held a meeting with the independent non-executive Directors without presence of other Directors.

Board Proceedings

Meetings of the Board shall be held regularly at least four times every year and shall be convened by the chairman of the Board. Directors shall be notified fourteen days before the date of the meeting. An agenda and accompanying board papers should be sent in full to all Director in a timely manner and at least 3 days before the intended date of a Board meeting (or other agreed period). A quorum will be formed by more than half of the Directors (including the proxies) attending a Board meeting in person. If a Director is unable to attend a Board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization. Directors attending Board meetings on behalf of other Directors shall exercise their power as Directors within their scope of authorization. If a Director fails to attend a Board meeting and does not appoint an attorney to attend, the Director is deemed to have waived his rights to vote at that meeting. Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the Board must be passed by more than half of all the Directors. Where the numbers of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

SUPERVISORY COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions of the Directors and Supervisors of the Company. Upon specific enquiries, all Directors and Supervisors of the Company confirmed that they have complied with the relevant provisions of the Model Code for the year ended 31 December 2022.

Relevant employees 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 year ended 31 December 2022.

COMPANY SECRETARY

Mr. LEE Leong Yin (李亮賢), who is a senior manager of corporate services of Tricor Services Limited (the external service provider), currently serves as the company secretary of the Company. Ms. Huang Jianqin (黃建欽), the manager of the securities department of the Company, has been designated as the primary corporate contact person between Mr. Lee Leong Yin and the Company to cooperate and communicate with Mr. LEE Leong Yin in respect of the Company's corporate governance.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the Hong Kong Accounting Standards for Business Enterprises, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. Responsibilities of Elite Partners CPA Limited, the Company's external auditor, with respect to financial statement audit are set out in the section headed "Independent Auditor's Report" in this annual report.

DISCLAIMER OF OPINION

DETAILS OF THE AUDITOR'S DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the section headed "Basis for Disclaimer" in this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2021 (the "**2021 Annual Financial Statements**") contained a qualified opinion on the following audit scope limitations: (i) due to the impact of COVID-19, the confirmations in relation to items such as trade receivables, prepayments, other receivables and contract assets were not satisfactory and therefore were unable to carry out effective alternative audit procedures; and (ii) multiple uncertainties relating to going concern (the "**Qualified Opinion**"). Details are set out in the auditor's report on the 2021 Annual Financial Statements dated 30 March 2022.

As the 2021 Annual Financial Statements form the basis for the corresponding figures presented in the current year's financial statements, any adjustments found to be necessary in respect of the qualified opinion would affect the opening balances and corresponding figures of the current year's financial statements, in particular, the trade receivables, prepayments and other receivables, contract assets and related disclosures.

2. Provision for expected credit losses on trade receivables, other receivables and contract assets

As at 31 December 2022, the Group had trade receivables, other receivables and contract assets of approximately RMB37,212,000 (2021: RMB647,106,000), RMB15,441,000 (2021: RMB133,009,000) and RMB5,524,000 (2021: RMB415,663,000) (the "**Receivables**") respectively, net of provision under expected credit loss ("**ECL**") model.

The management of the Group has been actively pursuing the settlement of the Receivables from the Creditors due to the liquidity concern over the financial position of the Group. However, due to the adverse economic conditions as a result of the outbreak of COVID-19 and the recent downturn of the property market in the PRC, the management of the Group considered that the recoverability of some creditors is difficult. Accordingly, the Group has recognised a provision for ECL on trade receivables, other receivables and contract assets of approximately RMB751,862,000, RMB65,814,000 and RMB19,437,000 respectively (the "**ECL Provision**") for the year ended 31 December 2022.

Under these circumstances and the limitation of the scope of our audit on the opening balance of ECL, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the ECL Provision for the year ended 31 December 2022 was appropriate, in particular, the timing of recognition of the ECL Provision.

Any adjustments found to be necessary in respect of the ECL Provision as described above may have a significant impact on the Group's consolidated financial performance for the year ended 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

3. Material uncertainty related to going concern

As described in note 2.2 to the consolidated financial statements, during the year ended 31 December 2022, the Group incurred a net loss of approximately RMB975,004,000 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB685,868,000 and RMB631,469,000 respectively. As at 31 December 2022, the Group had borrowings of approximately RMB241,572,000 and the Group had cash and cash equivalents of approximately RMB1,006,000. These conditions, along with other matters as described in Note 2.2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As described in note 2.2 to the consolidated financial statements, in preparing the consolidated financial statements, the Directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, including but not limited to that: (i) the Group is currently negotiating with creditors and potential investors to reduce the level of indebtedness and obtain new funding to support the operations of the Group; (ii) the Group is actively looking for new financing channels; and (iii) the Group will implement various measures to control administrative expenses in order to save the Group's liquidity.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We were unable to determine whether the going concern assumption used in the preparation of the consolidated financial statements is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. Any adjustments found to be necessary may have a significant effect on the consolidated net liabilities of the Group as at 31 December 2022 and the consolidated financial performance and cash flows of the Group for the year ended 31 December 2022, and the related disclosures thereof in the consolidated financial statements.

OTHERS

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed a disclaimer of opinion on those statements on 30 March 2022.

As a result of the above, Elite Partners CPA Limited, the auditor of the Company, has expressed a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2022. The Company has considered the rationale of the Company's auditors and understood their consideration in arriving the disclaimer of opinion. For details of "Basis for Disclaimer of Opinion", please refer to "Independent Auditor's Report".

THE RESPONSE FROM THE BOARD AND MANAGEMENT TO THE DISCLAIMER OF OPINION

The Company has published the 2022 Annual Results Announcement on 28 September 2023 and the 2023 Interim Results Announcement on 20 October 2023. In response to the issue of disclaimer of opinion in 2021, the Company conducted a special inspection on accounts receivable, contract assets, prepayments and other receivables in 2022. The project management department led the business department to communicate and contact with customers and projects by visiting, telephone, WeChat, mail and other means, and evaluated the possibility of bad debts based on the inspection and understanding. In 2022, on the basis of the Company's clean-up and assessment, the Independent Auditor reviewed the completion settlement documents, invoice issuance, payment collection and legal litigation documents for 2022, and conducted external confirmations, obtained sufficient evidence to further make provision for bad debts, and confirmed the Company's balance of accounts receivable, contract assets, prepayments and other receivables at the end of 2022.

For the year ended 31 December, 2022, the Company incurred a net loss of approximately RMB975 million, the Company's net current liabilities and net liabilities were approximately RMB685.87 million and RMB631.47 million, respectively, the Company's borrowings were approximately RMB241.57 million, and the Company's cash and cash equivalents were approximately RMB1.01 million. There is significant doubt on the Company's ability to continue as a going concern and the Company is unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has taken measures to improve its liquidity and financial position, including but not limited to: (i) negotiating with creditors and potential investors to reduce debt level and obtain new funding to support the Company's operations; (ii) actively seeking new financing channels; and (iii) implementing various measures to control administrative expenses to save the Company's liquidity.

VIEWS OF DIRECTORS AND THE MANAGEMENT

In view of the significant uncertainties relating to the operation, the Directors, after taking into account the above measures taken by the management of the Company, are of the view that the management of the Company has made great efforts to resolve the current financial difficulties of the Company and is confident in the implementation of the above measures and the resolution of the relevant issues. The Directors and the management believe that, with the successful implementation of the above measures, the matters relating to going concern will be resolved, and the objective uncertainties thereof are subject to the impact of the state's regulatory policies on the real estate industry, the support of financial institutions such as banks to the industry and whether the management could successfully implement the above measures.

VIEWS OF THE AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and the related documents, and discussed in detail the matters on which the disclaimer of opinion and the basis for forming the disclaimer of opinion. The main contents include: (i) the management has reviewed in detail the relevant information on the special inspection and understanding of the accounts receivable, contract assets, prepayments and other receivables in 2022 in response to the measures and implementation progress of the "Disclaimer of opinion on others", and has a detailed understanding of the status and progress of the Company's various litigations and debt settlement plans; (ii) the measures and plans proposed by the management and the implementation progress to address the disclaimer of opinion and material uncertainties relating to going concern. After detailed discussion and review of the documents as mentioned above, the position and view of the Audit Committee and the Directors are consistent.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board recognises its responsibility to regulate internal control system and risk management of the Group and reviews the effectiveness at least annually through the Audit Committee. The Audit Committee assisted the Board to perform regulations in respects of the finance, operation, compliance, risk management and internal controls of the Group, as well as the regulations of the resources in terms of finance and internal audit function and the role of corporate governance.

The Group has established appropriate internal control and risk management policies to safeguard assets against misappropriation and unauthorised disposition and observe and comply with relevant rules and regulations, maintained reliable financial and accounting records in accordance with relevant accounting standards and regulatory reporting requirements, and recognized and managed the potential risks in the Group's operation and management. The relevant systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of business operations.

The Company has adopted various policies and procedures to evaluate and improve the effect of risk management and internal control system. For the handling and dissemination of inside information, the Group has internal policy which strictly prohibit unauthorised use of inside information and has communicated to all staff. Confidentiality clauses will be incorporated into any significant negotiations and contracts entered into with the Group.

The Group has established an internal control risk management team. During the year, the procedures for identifying, evaluating and managing major risks of the Group include: monthly risk management and special supervision and inspection, quarterly monitoring of major risks, annual internal control evaluation, etc. The scope of which covers internal control in the aspects of finance, operation and compliance controls and internal controls of different system. The internal control and risk management group focuses on the review of continuing business operation, control of cash flow management and provide relevant suggestions for improvement of which the results will be presented to the audit committee and the Board. After the review and enhancement of the aforementioned internal control and risk management system, the Board and the Audit Committee are of the view that the Group has reasonably implemented the key areas of the internal control and risk management system and believes the system is efficient and adequate.

Apart from the review of risk management and internal control, the statutory audit work of the external auditors also includes evaluation of the adequacy and the effectiveness of certain significant risk management internal control. Their suggestion will be adopted where appropriate, which would help to improve the risk management and internal control.

REMUNERATION OF AUDITOR

Details of the remuneration paid to the auditors of the Company in respect of audit services and non-audit services for the year 2022 are set out below:

Asian Alliance (HK) CPA Limited

	Amount (RMB)
Type of services provided by the auditor — Audit advisory services for the year 2022	350,000
Total:	**350,000**

Elite Partners CPA Limited

	Amount (RMB)
Type of services provided by the auditor — Audit services for 2022 financial statements	1,000,000
Total:	**1,000,000**

SHAREHOLDERS' RIGHTS

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

Right to convene extraordinary general meeting

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

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company in the Company's principal place of business in Hong Kong at either (i) at 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen, the PRC or (ii) 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

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

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

Proposals put forward at the general meeting

Pursuant to Article 8.6 of the Articles of Association, no less than 10 days prior to the meeting Shareholders holding 3% or more of the total Shares of the Company separately or jointly shall have the right to put forward the new proposals in writing to the board. Within 2 days of receipt of the proposals, the board will dispatch the supplemental notice of the general meeting to inform the new resolutions and submit them to the general meeting to make resolutions. The new proposals submitted by the Shareholders shall be within the powers of the general meetings, the matter expressly stated the business to be specific, and the content of the proposal not in conflict with provisions of the laws and regulations, and the Articles of Association.

Enquiry made to the Board

The information including the Group's business, items, major corporate governance policies, announcements, financial reports are available to the public at the Company's website (www.aidewei.cn). Shareholders and investors may issue written enquiry or request to the Company through the below channels:

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

Email: ir@aidewei.cn

INVESTOR RELATIONS

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and each chairman of the Board Committee of the Company will be available to answer questions at the annual general meeting. The external auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Constitutional Documents

In order to meet the business and sustainable development needs of the Company, the Board therefore proposed to make certain amendments to the Articles of Association to extend the operating period of the Company, change the business scope of the Company and update the capital structure according to the transfer of Shares by Shareholders. The above amendments to the Articles of Association were approved by the Shareholders at the annual general meeting of the Company held on 24 June 2022. For details of the above amendments to the Articles of Association, please refer to the circular of the Company dated 25 May 2022.

In order to facilitate the Shareholders and potential investors to better read and understand the financial reports and financial data of the Company, the Company plans to prepare its financial statements in accordance with the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards. The Board therefore proposes to make certain amendments to the Articles of Association. The above amendments to the Articles of Association were approved by the Shareholders at the extraordinary general meeting of the Company held on 21 November 2022. For details of the above amendments to the Articles of Association, please refer to the circular of the Company dated 1 November 2022.

The latest Articles of Association is available on the websites of the Stock Exchange and the Company.

Shareholders' Communication Policy

The Company has established a Shareholders' communication policy to ensure that the Shareholders of the Company and, in appropriate circumstances, the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

The Company makes full use of the Internet to enable Shareholders to have easy and comprehensive access to information. Electronic copies of annual and interim reports, announcements, circulars and general information are available on the Company's website at www.aidewei.cn. The Company's website also provides email address, postal address, fax number and telephone number to enable Shareholders to make any query that they may have with respect to the Company at any time.

The Board reviews the implementation and effectiveness of the Shareholders' Communication Policy. Having considered the various communication channels established, the Board is satisfied that the Shareholders' Communication Policy has been properly implemented and is effective in 2022.

I. ABOUT THIS REPORT

Reporting Scope

This report covers the period from 1 January 2022 to 31 December 2022 and describes the Group's environmental and social contribution. The contents of this report cover headquarter of the Group and its subsidiaries.

Reporting Standard

This report is prepared in accordance with the Appendix 27 of "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") of the Hong Kong Stock Exchange Listing Rules.

Content Description

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

Reporting Principles

Materiality: The materiality of the Group's Environmental, Social and Governance ("**ESG**") issues is determined by the Board. The process of communication with stakeholders and identification of material issues and the matrix are all disclosed in this Report.

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

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

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

II. ESG GOVERNANCE

"Law-abiding and being truthful and honest" is the responsible attitude for us to employees, our shareholders, and our society. "Strive for Win-win, Become a leader in building decoration industry" is a lofty mission and a solid foundation for fulfilling our social responsibilities. "To decorate with love by Adway. Devote more quality. Reach for perfection" is the virtue we adherent for all the time to create a stage with excellence as core. "To Love in harmony, to get from quality, to be top by development, to create brands", is our spiritual motivation that drives us to protect the environment, conserve the resources, and continuously give back to the society.

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

Establish ESG governance framework and declare directors' responsibility

Our Board authorised our Strategy Committee to discharge their ESG governance duties, besides the original responsibilities as "research and recommend to the Board the long-term development and strategic plans and the matters that are material to the development of the Company, as following:

(a) investigate any activity within its terms of reference;

(b) request information from any employee, member of the management, director, consultant or advisor, auditor and all such persons will be directed to co-operate with any request made by the Committee;

(c) consult any external legal advisor, accounting or other independent professional body and to invite the attendance of outsiders with relevant experience and expertise at the expense of the Company;

(d) approve expenses relating to the seeking of external advice and on the establishment of compliance or ESG management system;

(e) delegate appropriate authority to the management for execution of instructions when considered appropriate; and

(f) be provided with sufficient resources to discharge its duties.

The responsibilities:

(a) to review and develop the ESG risk management framework of the Company, and identify, analyse, evaluate and determine ESG risks faced by the Company;

(b) to supervise and review the materiality assessment of ESG issues of the Company in compliance with current ESG requirements and report to the Board on key ESG issues;

(c) to review and develop ESG strategic objectives, review the achievement of ESG objectives and supervise the ESG performance of the Company in line with the expectations and requirements of investors and regulators;

(d) to review annual ESG reports of the Company to ensure the compliance and completeness of the Company's annual ESG reports, and propose specific actions or decisions to the Board for consideration;

(e) to review and confirm whether the ESG structure of the Company is adequate and effective, supervise and manage the Company's implementation of ESG work;

(f) The proposals formulated by the Strategy Committee shall be submitted in the form of a report to the Board for approval.

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

III. STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

The Group believes that the participation and support of the stakeholders are crucial to the long-term development of an enterprise. The Company continuously adjusts and improves our ESG performance and future development strategies at the appropriate time by timely understanding their demands and expectations and allowing them to make suggestions. According to the characteristics of different stakeholder groups, we adopt online discussions, small-scale symposiums and other forms to ensure smooth and efficient communication and respond in a timely manner.

Stakeholder Communication Mechanism

Stakeholder Category	Appeals and Expectations	Communication and Response
Government and regulatory authorities	• Implementation of national policy • Legal compliant operations • Project cooperation • On-site supervision	• Operate according to laws and regulations • Respond to relevant national policy requirements • Questionnaires and supervision • Business growth • Welfare activities

Stakeholder Category	Appeals and Expectations	Communication and Response
Investors and Shareholders	• Financial performance • Corporate transparency • Enterprise sustainable operation	• Business growth • Daily information disclosure and performance disclosure • Convene Shareholders' meeting • Maintain Investor relationships
Clients	• Business and service quality • Stable relationship • Customer information protection • Responsible marketing	• Quality control • Improve customer service system • Strengthen cyber security • Legally compliant marketing • Establish a customer communication mechanism
Staff	• Protection of employees' rights • Promote employee development • Pay attention to employee safety and health • Listen to employees	• Improve the compensation system • Optimize career promotion mechanisms • Implementation of health and safety management system • Enhance professional training for talents
Suppliers and partners	• Cooperation in good faith • Win-win • Fair and just	• Conduct reviews and evaluation • Create a responsible supply chain • Carry out project cooperation • Promote daily communication
Industry associations and media	• Comply with industry standards • Drive industry innovation • Transparent and open information	• Participate in industry seminars and exchanges • Join industry organizations to promote industry innovation • Improve news disclosure mechanism and optimize public opinion feedback mechanism
Community	• Support social welfare • Caring for the poor • Cooperate with epidemic prevention	• Actively participate in social welfare activities • Poverty alleviation and care action • Support epidemic prevention

MATERIALITY ASSESSMENT OF ESG ISSUES

We consider quality management, green construction, anti-corruption and compliant operation, resource conservation, emission management, etc. as the most concerned issues of the Group. The Board will review these matters on a regular basis and ensure that these issues and any associated business risks are addressed. We will continue to consolidate and improve the communication mechanism with stakeholders, fully understand their views and suggestions on the Group's ESG work, and further improve them.

IV. EXQUISITE QUALITY AND LEADING TECHNOLOGY

The Group attaches great importance to exquisite quality and requires the delivery of projects to ensure high quality. The Group has passed the ISO 9001 quality management system certification. The Group has formulated corresponding management systems, covering material acceptance, project construction, completion and delivery. Combined with the implementation of the Quality Management Accountability System (QMAS), project staff are required to carry out full-cycle quality management, which involves three stages: pre-construction, construction and delivery of the project.

Safety Management

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

The Group enhanced its safety management through the following measures in 2022:

I. Construction safety service system and cultural construction:

- Summarize the corporate construction safety management manual and safety technical requirements.
- Achieve good on-site construction safety supervision.
- Summarize the unsafe factors and potential risk assessment of the on-site safety management.
- Emphasize safety training at all levels to ensure that employees are trained before taking up their posts to achieve training results.
- Investigate potential safety hazards at the handover stage.

II. Formulating and implementing safety construction management measures, mainly including:

- Do safety checks and wear helmets, tighten safety belts when working at height and wear shoes that meet the requirements of the construction site. Construction operation and passing items need to abide by the operation specification, and construction materials, machine tools, engineering data and other items shall not be taken away from the construction site without permission.
- Prohibit smoking at the site, and the construction site shall be equipped with fire prevention equipment. Flammable and explosive items are stored in a special storehouse and guarded by a person.
- Non-construction personnel are not allowed to enter or leave the construction site at will. Staff are prohibited from staying at the construction site during non-working hours.
- Pay attention to environmental hygiene, keep the construction site tidy, turn off the power on leaving, lock the doors and windows, pile construction materials neatly, and clear all garbage to the designated area. It is strictly prohibited from living in the construction site and conducting activities related to daily life.
- Cooks at the construction site should hold health certificates and keep the kitchen and tableware clean, and the staff should clean the dormitory regularly.
- Special operators must carry out safety education, professional and technical training. Only those who are qualified by the relevant departments to obtain an induction certificate can take up the job, and they shall undergo regular review.
- Break down the safety management objectives at each stage, fulfill the responsibility of production safety, and implement supervision and inspection from time to time.

The Group implements fire safety management of office, including daily inspection of fire safety for office, filling in the daily inspection log sheet of fire safety and checking that the fire equipment is functional and the fire-fighting access is unobstructed so as to ensure the Company's fire safety.

Deepen innovation and R&D

Digital technology can greatly improve labour productivity and service areas and quality. The Group promotes digital innovation and development, consolidates its core advantages, improves quality and efficiency, improves service capabilities and levels, and empowers high-quality development with digital means. The Company insisted on promoting the application of green decoration materials and vigorously carried out important measures for energy conservation, emission reduction and green production.

Intellectual Property Protection

In accordance with the Intellectual Property Law of the People's Republic of China (《中華人民共和國知識產權法》), the Trademark Law (《商標法》), the Copyright Law (《著作權法》) and other laws and regulations, the Group has formulated and implemented the Intellectual Property Management System (《知識產權管理制度》), and gradually established a standardised intellectual product management system. In 2022, the Group applied for 10 invention patents and was granted 2 invention patents, and carried out intellectual property application and registration in an orderly manner.

Reasonable Promotion and Marketing

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

Customer Information and Privacy Protection

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

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

Degree of Satisfaction and Industry Recognition

While ensuring the delivery of high-quality projects, the Group values the customers' opinions and suggestions, continuously communicates with customers to gain their insights, and endlessly endeavors to go beyond the customers' expectations on the performance. The Group pays attention to the performance of customers in various stages of product delivery, including but not limited to brand image, expected quality, perceived quality, perceived value, and customer satisfaction, and makes evaluation and summary to continuously improve new services.

V. PEOPLE-ORIENTED FOR GROWTH

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

Staff Recruitment and Team Building

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

In 2022, based on the "people-oriented" management principle, the Group's human resources department conducted a new review of the job responsibilities of each department, adjusted the structure to adapt to the needs of the Group's work under the new operating environment, reduced costs and increased efficiency, and decomposed the Group's current policies and objectives to all functional departments to strictly manage internal control.

Performance Management and Career Development

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

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

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

The Group contributes to "social insurance and housing fund" on time, arranges the working time properly, guarantees the paid leave, and offered a variety of welfare projects with diversity.

Talent Training Mechanism

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

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

Occupational Health and Employee Care

The Group pays high attention to concern about its employees' physical and mental health. On the Mid-Autumn Festival in 2022, it distributed gifts to the Group's staff.

The Group, following the instructions of City and district government on resumption of work and production, perfected the COVID-19 precautionary scheme and contingency plan, put the COVID-19 precautionary measures into the practice, as well as registered and uploaded relevant information in time according to epidemic prevention requirements from the government and the community so as to win the battle against COVID-19 finally.

Employee Rights And Equal Participation

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

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

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

VI. WORKING WITH PARTNERS FOR COMMON DEVELOPMENT

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

Supplier Management Mechanism

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

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

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

Supply chain in which more environment-friendly products used

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

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

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

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

Implement fair procurement and build a responsible supply chain

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

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

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

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

Supply Chain Responsibility Communication

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

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

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

VII. ADHERE TO INTEGRITY AND UNCORRUPT NORMS

The Group strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) relevant laws and regulations, establishes and implements the Anti-Corruption and Reporting System, and prohibits bribery, fraud and money laundering delineates red lines for disciplinary actions, improves internal control monitoring measures, promotes the level of internal risk management, and implements measures such as disciplinary penalties to continuously consolidate the Group's anti-corruption initiative. During 2022, no anti-corruption-related lawsuits were filed or concluded against the group or employees.

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

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

The Group attaches great importance to the training and education of anti-corruption, regulates employees' clean employment practices, and is committed to creating a clean working atmosphere. During 2022, the Company provided the training materials on anti-corruption education for integrity in business for all management team members.

VIII. GREEN ENVIRONMENTAL PROTECTION AND LOW CARBON OPERATION

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

The Group has set targets for KPIs focusing on resource conservation and environmental protection:

1. Realise the selection and transportation of construction materials from the local area as far as possible, thus curbing environmental pollution and energy consumption at all;

2. Select environmentally friendly materials as much as possible to minimise the damage to the environment;

3. During the construction process, the environmental supervision work is in place and the responsibility lies with everyone. If environmental problems are found, environmental treatment solutions will be made in a timely manner;

4. Applying water-saving technologies to reduce water consumption and waste, and rationally managing water resources;

5. Strengthen research on energy-saving construction materials.

Green Construction

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

In 2022, the main control points of the Group's managing the environmental implication of construction site are listed as below:

- Prevention of air pollution: Overlap the on-site mortar bulk material in an iterative manner. For materials that are prone to emit dust, the Group implements the measures of light unloading and slow placement and closes inventory to reduce the generation of dust;

- Noise: Establish a sound management system for the control of manmade noise pollution; strictly prohibit noisy activities at the construction sites; set up mufflers and sound insulation enclosures for the large-scale equipment;

- Waste: The method of separate collection and disposal of waste. Solid waste should be strictly classified, and stored properly according to the corresponding storage area and storage method, with clear labels;

- Energy saving and consumption reduction: strengthen the management and maintenance of electrical equipment, increase the power factor of electric power systems, and improve energy efficiency.

Green Office

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

In 2022, the Group's main practices in green office approach include:

- Manage office space, make full use of various office tools, and optimize office efficiency;

- Advocate online remote meetings to save time and energy of attendees and release more labor energy;

- Promote paperless office and reuse second-hand supplies to reduce unnecessary procurement and contribute to low-carbon and environmental protection;

- Further promote e-signature and digital government affairs to practice energy conservation and emission reduction;

- Reduce the consumption of consumables and use reusable materials instead of consumables;

- Reasonable use of electrical equipment with high power consumption such as air conditioners.

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

Confronting the climate change

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

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

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

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

2022 Environment KPI

No.	KPI	unit	2022 Emissions/ Consumption	2021 Emissions/ Consumption	2020 Emissions/ Consumption
A1.1 emission	Sulfur oxides	kilogram	0.19	0.22	0.35
	Hydrogen nitride	kilogram	135.84	119.62	185.93
	Particulates	kilogram	15.73	11.37	17.82
A1.2 greenhouse gas emission	Greenhouse gas emissions (Scope 1)	CO2 equivalent	46.87	42.52	67.17
	Greenhouse gas emissions (Scope 2)	CO2 equivalent	2,235.09	1,874.21	4,765.87
	Greenhouse gas emissions (Scope 1 + Scope 2)	CO2 equivalent	2,935.56	1,916.73	4,833.04
	Greenhouse gas emission intensity	CO2 equivalent/ RMB1,000 of benefit	0.01	0.01	0.01
A1.3 Hazardous waste	Waste drum unit	Tonnes	0.02	0.01	0.02
A1.4 Non-hazardous waste	Mental waste	Tonnes	39.84	41.83	78.00
	Construction waste	Tonnes	3,658.14	2,710.48	6,486.00
	Office waste	Tonnes	1.25	1.25	1.25
A2.1 Energy consumption	Direct energy Consumption	GJ	629.90	502.58	788.77
	Indirect energy consumption	GJ	13,352.48	7,531.15	17,157.14
	Total energy consumption	GJ	9,255.63	8,033.73	17,945.91
	Energy consumption intensity	GJ/RMB1,000 of revenue	0.02	0.02	0.02
	Electricity used	KWh	653,974.00	2,091,986.00	4,765,872.00
	Petrol	Liter	6,548.30	14,750.82	23,695.00
A2.2 Water resource usage	Water consumption	cubic meter	204,697.00	685,709.00	1,496,687.00
	Water consumption intensity	Cubic meter/ RMB1,000 of revenue	1.46	1.23	1.64

Notes:

1) The scope of environmental data collection in 2022 covers the administrative office of the Group's headquarters, and the 236 projects under construction in 2022 (236 projects' total revenue accounts for approximately 38.07% of the Group's total annual revenue). The time range is from 1 January to 31 December 2022.

2) The emission factor were accounted for with reference to the ESG Environmental Data Reporting Guidelines issued by Hong Kong Stock Exchange. In particular, the greenhouse gas emission factor of purchased electricity was accounted for with reference to the 2019 China Regional Grid Baseline Emission Factor (《2019中國區域電網基準線排放因子》) issued by the Chinese Ministry of Ecological Environment. Energy consumption coefficient were accounted for with reference to "GB2589–2008T General rules for comprehensive energy consumption calculation".

3) The Group's water resources mainly come from municipal water supply. There is no shortage of water supply.

4) The Group's major business activities do not involve the production and use of any packaging material. Indicator A2.5 is not applicable, hence it is not disclosed.

2022 social KPI

	2022	2021	2020
Employees By age			
Below 30 years old	16	45	88
31–50 years old	38	119	163
Beyond 51 years old	15	50	55
Employees By gender			
Male	32	132	186
Female	37	82	120
Annual turnover rate	66.50%	30.07%	5.85%
Employees By education			
Degree or beyond degree	54	186	271
High school diploma or below	16	28	35
Employees By geographical region			
Within Guangdong Province	54	159	222
Out of Guangdong Province	16	55	84
By type of employment			
Full time	70	214	306
Part time	0	0	0
Time of training per employee (hours)	10	14	10
Safety production input (RMB ten thousand)	202	1,321	1,409
Major pollution/safety incidents	0	0	0

	2022	2021	2020
Work-related injury			
A — slight bodily injury	0	0	0
B — minor wound	0	0	0
C — serious injury	0	0	0
D — death	0	0	0
Cases of occupational hazards	0	0	0
Number of working days absented due to work-related injuries	0	0	0
Total person-time for training	92	288	741
Total hours of training (hours)	114	421	839
Attendance rate of employee training	100%	100%	100%
Number of suppliers by Region	735	708	1,382
Number of suppliers within Guangdong Province	295	303	627
Number of suppliers outside Guangdong Province	440	405	755
Total customer complaints	0	0	0

Notes:

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

IX. RIGHTEOUSNESS BUILDS THE FUTURE TOGETHER

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

On 21 March 2022, the Group participated in the activities of visiting the members of the Sixth Yuanling Sub-district Committee of the Futian District Committee of the Chinese People's Political Consultative Conference and donated a batch of COVID-19 pandemic prevention materials to the Yuanling Sub-district Office.

INDEPENDENT AUDITOR'S REPORT

To the Members of
Guangdong Adway Construction (Group) Holdings Company Limited
(incorporated in the People's Republic of China with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Guangdong Adway Construction (Group) Holdings Company (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 59 to 108, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2021 ("**2021 Financial Statements**") contained qualifications on the limitation of audit scope relating to (i) unable to perform effective alternative audit procedures due to the unsatisfactory reply to the letter of confirmation relating to trade receivables, prepayments and other receivables, contract assets because of the impact of the COVID-19; and (ii) multiple uncertainties relating to going concern ("**Qualifications**"). Details of which has been set out in the auditor's report for 2021 Financial Statements dated 30 March 2022.

As the 2021 financial statements formed the basis for the corresponding figures presented in the current year's financial statements, any adjustments found to be necessary in respect of the Qualifications would have an effect on the opening balances and corresponding figures for the current year's financial statements, in particular the trade receivables, prepayments and other receivables, contract assets, and the related disclosures thereof.

2. ECL allowance for trade receivables, other receivables and contract assets

As at 31 December 2022, the Group's trade receivables, other receivables and contract assets were approximately RMB37,212,000 (2021: RMB647,106,000), RMB15,441,000 (2021: RMB26,520,000) and RMB5,524,000 (2021: RMB415,663,000), respectively ("**Receivables**"), which were net of allowance under the expected credit loss ("**ECL**") model.

Due to the liquidity concern over the Group's financial position, the management of the Group has actively traced the debtors for their settlements of the Receivables. However, due to the unfavourable economic conditions resulting from the outbreak of COVID-19 and recent downturn for the property market in the PRC, the management of the Group are in the opinion that the recoverability for certain debtors were remote. Accordingly, the Group recognised ECL allowances for trade receivables, other receivables and contract assets of approximately RMB751,862,000, RMB65,814,000 and RMB19,437,000, respectively for the year ended 31 December 2022 ("**ECL Allowances**").

Under these circumstances together with the limitations of audit scope in respect of the opening balances for ECL Allowances, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the provision of ECL Allowances during the year ended 31 December 2022 was appropriate, in particular, the timing for the recognition of ECL Allowances.

Any adjustment found to be necessary in respect of the ECL Allowances as described above might have a significant effect on the Group's consolidated financial performance for the year ended 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

3. Material uncertainties relating to going concern

As described in note 2.2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB975,004,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB685,868,000 and RMB631,469,000 respectively. As at 31 December 2022, the Group's borrowings were approximately RMB241,572,000, while the Group had cash and cash equivalents of approximately RMB1,006,000. These conditions, along with other matters as described in note 2.2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors of the Company have taken measures to improve the Group's liquidity and financial position as described in note 2.2 to the consolidated financial statements, including but not limited to (i) the Group is currently discussing with creditors and potential investors to carry out debt restructuring exercise for the purpose of reducing the level of debts and obtain new funding to support the operation of the Group; (ii) the Group is actively seeking for new sources of financing; and (iii) the Group will implement measures to control administrative costs to preserve liquidity of the Group.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to material uncertainties. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, to write down the values of assets to their recoverable amounts and to provide for any further liabilities which may arise. Any adjustment found to be required may have consequential significant effect on the consolidated net liabilities of the Group as at 31 December 2022 and the consolidated financial performance and cash flows of the Group for the year ended 31 December 2022, and the related disclosures thereof in the consolidated financial statements.

OTHER MATTER

The Group's consolidated financial statements for the year ended 31 December 2021 were audited by another auditor who expressed a disclaimer opinion on those statements on 30 March 2022.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of this report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Yip Kai Yin with Practising Certificate number P07854.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**189,111**	554,507
Cost of sales	7	**(161,216)**	(482,218)
Gross profit		**27,895**	72,289
Selling and marketing expenses	7	**(2,464)**	(9,337)
Administrative expenses	7	**(44,054)**	(66,168)
Impairment losses	7	**(899,178)**	(431,682)
Other income — net	9	**(37,777)**	(23,384)
Operating Loss		**(955,578)**	(458,282)
Finance income		**91**	803
Finance costs		**(19,517)**	(19,362)
Finance costs — net	10	**(19,426)**	(18,559)
Loss before income tax		**(975,004)**	(476,841)
Income tax expense	11	**—**	(101,273)
Loss for the year		**(975,004)**	(578,114)
Other comprehensive income		**—**	—
Total comprehensive income for the year		**(975,004)**	(578,114)
Total Loss and comprehensive income attributable to:			
Owners of the Company		**(975,004)**	(578,114)
Losses per share			
— Basic and diluted (RMB)	12	**(4.05)**	(2.40)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	**46,757**	49,163
Right-of-use-assets	16	**8,495**	9,575
Investment properties		**559**	602
Intangible assets	17	**—**	21
Other receivables	19	**—**	5,063
		55,811	64,424
Current assets			
Contract assets	5(a)	**5,524**	415,663
Trade receivables	18	**37,212**	647,106
Prepayments and other receivables	19	**15,441**	133,009
Restricted bank balance	21	**11,876**	24,617
Cash and cash equivalents	20	**1,006**	8,596
		71,059	1,228,991
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**240,931**	240,931
Reserves	23	**(872,400)**	102,736
Total equity		**(631,469)**	343,667
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**—**	946
Deferred revenue		**1,412**	1,485
Provision	26	**—**	14,755
		1,412	17,186
Current liabilities			
Trade and other payables	24	**483,874**	536,141
Contract liabilities	5(a)	**—**	150,619
Borrowings	25	**241,572**	245,802
Provision	26	**31,481**	—
		756,927	932,562
Net current (liabilities)/assets		**(685,868)**	296,429
Total assets less current liabilities		**(630,057)**	360,853
Net (liabilities)/assets		**(631,469)**	343,667

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. The consolidated financial statements were approved by the board of directors on 28 September 2023 and were signed on its behalf by:

Mr. YE Yujing *Executive Director*	**Mr. YE Guofeng** *Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000*	Share premium *RMB'000*	Safety reserves *RMB'000*	Retained earnings/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2021	240,931	323,070	28,480	357,648	950,129
Comprehensive income					
— Loss for the year	—	—	—	(578,114)	(578,114)
Total comprehensive income	—	—	—	(578,114)	(578,114)
Transfer of safety reserve	—	—	(28,348)	—	(28,348)
At 31 December 2021	240,931	323,070	132	(220,466)	343,667
At 1 January 2022	**240,931**	**323,070**	**132**	**(220,466)**	**343,667**
Comprehensive income					
— Loss for the year	**—**	**—**	**—**	**(975,004)**	**(975,004)**
Total comprehensive income	**—**	**—**	**—**	**(975,004)**	**(975,004)**
Transfer of safety reserve	**—**	**—**	**(132)**	**—**	**(132)**
At 31 December 2022	**240,931**	**323,070**	**—**	**(1,195,470)**	**(631,469)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	27	**(7,902)**	5,978
PRC enterprise income tax paid		**(132)**	(950)
Net cash (outflow)/inflow from operating activities		**(8,034)**	5,028
Cash flows from investing activities			
Purchases of property and equipment		**(56)**	(62)
Proceeds from disposal of property		**955**	3,971
Net cash inflow from investing activities		**899**	3,909
Cash flows from financing activities			
Proceeds from borrowings		**—**	153,999
Repayments of borrowings		**(9,429)**	(245,625)
Interest paid		**(3,767)**	(19,314)
Decrease in restricted bank balance		**12,741**	—
Other cash paid related to financing activities		**—**	(1)
Net cash outflow from financing activities		**(455)**	(110,941)
Net decrease in cash and cash equivalents		**(7,590)**	(102,004)
Cash and cash equivalents at beginning of the year		**8,596**	110,601
Exchange losses on cash and cash equivalents		**—**	(1)
Cash and cash equivalents at end of the year	20	**1,006**	8,596

The above 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**") is a joint stock company incorporated in the People's Republic of China (the "**PRC**") with limited liabilities. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered and 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 provision of interior and exterior building decoration and design services in the PRC.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 28 September 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. Except for the new and amended standards as disclosed below, the policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")

The consolidated financial statements have been prepared under the historical cost convention.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.3.

Accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Going concern

The Group incurred a net loss of approximately RMB975,004,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB685,868,000 and RMB631,469,000 respectively. As at 31 December 2022, the Group's borrowing was approximately RMB241,572,000, while the Group had cash and cash equivalents of approximately RMB1,006,000. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company have given careful consideration to the future liquidity of the Group and prepared cash flow projection for a period of not less than 12 months from the end of the reporting period, including the following plans and measures with the objective to mitigate the liquidity pressure of the Group:

(i) the Group is currently discussing with creditors and potential investors to carry out debt restructuring exercise for the purpose of reducing the level of debts and obtain new funding to support the operation of the Group. In the opinion of the directors of the Company, the discussions with creditors and potential investors are constructive. At the same time, the Group has been actively communicating with creditors to resolve the pending of litigation cases;

(ii) the Group is actively seeking for new sources of financing; and

(iii) the Group will implement measures to control administrative costs to preserve liquidity of the Group.

The directors of the Company, taking into account the above plans and measures, are in the opinion that, they are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2022.

2.3 Amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for their annual reporting period commencing on 1 January 2022 for preparation of consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 New standards and amendments to standards in issue but not yet effective

The following new standards and amendments to standards have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary. Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Basis of consolidation *(Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.6 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.8 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Property and equipment

Property and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	30 years
Machinery	10 years
Motor vehicles	5 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and included in profit or loss.

2.10 Investment properties

Investment properties, principally comprising buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group adopts the cost model for subsequent measurement of investment properties. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are as follows:

Buildings	30 years

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount.

2.11 Intangible assets

Acquired computer software are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

The Group amortises intangible assets with a limited useful life of 3 to 5 years using the straight-line method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- Intangible assets;
- Plant and equipment;
- Right-of-use assets;
- Investment properties; and
- the Company's interests in subsidiaries

Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade debtors that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

— amortised cost;

— fair value through profit or loss ("FVTPL"); or

— fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

— the entity's business model for managing the financial assets; and

— the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs — net" or "Other income — net."

Subsequent measurement of financial assets

Debt investments

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Interest income from these financial assets is included in finance income in profit or loss. The Group's trade receivables, other receivables, restricted bank balances and cash and bank balances fall into this category of financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial assets *(Continued)*

Subsequent measurement of financial assets (Continued)

Debt investments *(Continued)*

Financial assets at amortised cost *(Continued)*

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are categorised and measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss and other comprehensive income within "Other income — net" in the period in which it arises. Interest income from these financial assets is included in the "Finance costs, net" in profit or loss.

Equity investments

Investments in equity instruments are classified as FVTPL unless these equity instruments are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income — net" in profit or loss.

Financial liabilities and equity

Classification and measurement of financial liabilities

The Group's financial liabilities include accrued construction cost, lease liabilities, borrowings and other payables (excluding deed tax and other tax payables and deposits received).

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives designated at FVTPL, which are carried subsequently at fair value with "Other income — net" recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs, net" in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Accrued construction cost and other payables

Accrued construction cost and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.14 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise expected credit losses ("ECL") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade debtors recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 and Stage 3 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets *(Continued)*

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than one year past due, unless the Group has reasonable information that demonstrate otherwise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost *(Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(i) *Measurement of ECLs*

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant of financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; and
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position as the loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

(ii) *Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.17 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and at bank. Bank deposits which are restricted to use are included in "Restricted bank balance". Restricted bank balance are excluding from cash and cash equivalents included in the consolidated statements of cash flows.

2.18 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

(iv) Housing funds, medical insurances and other social insurances

Employees of the group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(v) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

Government grants relating to property, plant and equipment and intangible assets are charged against carrying amount of related assets or recognised as deferred income. If it is recognised as deferred income, it will credit to the relevant assets when it is ready for use and included in profit or loss over the useful life of related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when (or as) performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative standalone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

When control of goods and services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- Direct measurements of the value of individual services transferred by the Group to the customer (output method); or

- The Group's efforts or inputs to the satisfaction of the performance obligation (input method).

Future details of the Group's revenue policies are as follows:

(i) Construction contracts

The Group generates revenue by providing interior and exterior building decoration under construction contracts. The Group determines that revenue from construction contracts satisfies the performance obligation over time, for the performance of construction contracts creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognises revenue over time based on the percentage of completion, using input method as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs in accordance with HKFRS 15.

The excess of cumulative revenue recognised over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised is recognised as contract liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

(i) Construction contracts *(Continued)*

Upon the completion of construction work, normally 5% to 10% of the contract price will be retained by customers as quality guarantee and will be refunded after a one-or two-year's warranty period. The Group does not intend to give a financing to the customer through retention. The Group makes efforts to collect such retention and timely monitor the credit risk.

There is no material contract fulfilment cost or cost of obtaining contracts incurred by the Group.

(ii) Rendering of services

The Group provides design services to external parties. Design fee is recognised as revenue in the accounting period in which the services are rendered, by reference to the amount provided in the service period stipulated in the contract.

(iii) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

2.26 Losses per share

(i) Basic losses per share

Basic losses per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted losses per share

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Interest income

Interest income on financial assets at amortised cost which calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income — net.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Leases

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.

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 Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, 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.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are 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 assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.31 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

i. has control or joint control over the Group;

ii. has significant influence over the Group; or

iii. is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

i. the entity and the Group are members of the same group;

ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii. the entity and the Group are joint ventures of the same third party;

iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v. the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;

vi. the entity is controlled or jointly controlled by a person identified in (a);

vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose the Group to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the board of directors.

3.1.1 Market risk

(i) Foreign exchange risk

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 to management potential fluctuation in foreign currency.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. The Group regularly seeks the most favourable interest rates available for borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at 31 December 2022, if the market interest rates had been increased/decreased by 100 (2021: 100) basis point with all other variables held constant, post-tax loss for the year would have been RMB1,812,000 decreased/increased (2021: RMB1,844,000 decreased/increased).

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

3.1.2 Credit risk

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

The carrying amount of these balances in the 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 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets

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

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

The credit risk on restricted bank balance and cash and cash equivalents are limited because the counterparties are reputable bank operating in the PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable bank in the PRC, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables

For the year ended 31 December 2022, the Group has concentration of credit risk where 12% (2021: 16%) and 28% (2021: 23%) of trade receivables were due from the Group's largest customer and five largest customers respectively.

The information about the exposure to credit risk and ECL for trade receivables as at 31 December 2022 and 2021 is summarised as follows:

As at 31 December 2022

	Expected loss	Gross carrying amount *RMB$'000*	Loss allowance *RMB'000*
Within 1 year	**89%**	**169,835**	**151,195**
More than 1 year but within 2 years	**99%**	**174,122**	**172,676**
More than 2 year but within 5 years	**95%**	**350,599**	**333,473**
Over 5 years	**100%**	**94,518**	**94,518**
		789,074	**751,862**

As at 31 December 2021

	Expected loss	Gross carrying amount *RMB$'000*	Loss allowance *RMB'000*
Within 1 year	32%	472,205	153,136
More than 1 year but within 2 years	28%	78,199	21,550
More than 2 year but within 5 years	56%	527,030	294,791
Over 5 years	45%	70,912	31,863
		1,148,346	501,340

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Contract assets

The information about the exposure to credit risk and ECL for contract assets as at 31 December 2022 and 2021 is summarised as follows:

As at 31 December 2022

	Expected loss	Gross carrying amount *RMB$'000*	Loss allowance *RMB'000*
Within 1 year	**78%**	**24,648**	**19,124**
More than 1 year but within 2 years	**100%**	**313**	**313**
More than 2 year but within 5 years	**n/a**	**—**	**—**
Over 5 years	**n/a**	**—**	**—**
		24,961	**19,437**

As at 31 December 2021

	Expected loss	Gross carrying amount *RMB$'000*	Loss allowance *RMB'000*
Within 1 year	91%	89,736	81,592
More than 1 year but within 2 years	37%	264,118	97,931
More than 2 year but within 5 years	58%	580,366	339,035
Over 5 years	100%	21,490	21,490
		955,710	540,048

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Other receivables

Under the general approach for other receivables, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12m ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Internal recognition credit rating	Description	Basis of ECL provision
Stage 1	There has not been a significant increase in initial recognition and are not credit-impaired upon credit risk origination.	12m ECL
Stage 2	There has been a significant increase in credit risk since initial recognition but are not credit-impaired.	Lifetime ECL — not credit impaired
Stage 3	There is objective evidence of impairment as at the reporting date.	Lifetime ECL — credit impaired

Analysis of the gross carrying amount of other receivable is as follows:

	Stage 1 *RMB$'000*	Stage 2 *RMB$'000*	Stage 3 *RMB$'000*	Total *RMB$'000*
As at 1 January 2021	7,805	—	10,136	17,941
Transfer to stage 1	—	—	—	—
Transfer to stage 2	—	—	—	—
Transfer to stage 3	—	—	—	—
Addition	—	—	1,588	1,588
Repayments	(1,289)	—	—	(1,289)
As at 31 December 2021 and 1 January 2022	**6,516**	**—**	**11,724**	**18,240**
Transfer to stage 1	**—**	**—**	**—**	**—**
Transfer to stage 2	**—**	**—**	**—**	**—**
Transfer to stage 3	**(6,516)**	**—**	**6,516**	**—**
Addition	**17,499**	**29,203**	**81,176**	**127,878**
Written-off	**—**	**—**	**(80,304)**	**(80,304)**
As at 31 December 2022	**17,499**	**29,203**	**19,112**	**65,814**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

The closing loss allowances for trade receivables, contract assets and other receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	Trade receivables *RMB'000*	Contract assets *RMB'000*	Other receivables *RMB'000*
At 1 January 2022	**501,340**	**540,048**	**18,240**
Provision for impairment	**751,862**	**19,437**	**127,879**
Written off	**(501,340)**	**(540,048)**	**(80,305)**
At 31 December 2022	**751,862**	**19,437**	**65,814**

The closing loss allowances for trade receivables, contract assets and other receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables *RMB'000*	Contract assets *RMB'000*	Other receivables *RMB'000*
At 1 January 2021	401,180	238,771	17,941
Provision for impairment	107,338	322,756	1,588
Reversal of provision	(7,178)	(21,479)	(1,289)
At 31 December 2021	501,340	540,048	18,240

Trade receivables, contract assets and other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited into profit or loss.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 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. However, the Group has certain liabilities that are not repayable on maturity at the repayment date during the year ended 31 December 2022 and thereafter due to the financial difficulties faced by the Group. The Group is undertaking a number of measures to alleviate the current liquidity difficulties.

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 31 December 2022			
Borrowings	**260,478**	**—**	**260,478**
Trade and other payables (excluding other tax payable and payroll payable)	**454,384**	**—**	**454,384**
Lease liabilities	**—**	**—**	**—**
Provision (note 26)	**31,481**	**—**	**31,481**
	746,343	**—**	**746,343**
As at 31 December 2021			
Borrowings	265,319	—	265,319
Trade and other payables (excluding other tax payable and payroll payable)	404,639	—	404,639
Lease liabilities	—	946	946
Provision (note 26)	—	14,755	14,755
	669,958	15,700	685,658

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as 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.

During the years ended 31 December 2022 and 2021, the Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total borrowings	**241,572**	245,802
Lease liabilities	—	946
Less: cash and cash equivalents	**(1,006)**	(8,596)
Net debt	**240,566**	238,152
Total equity	**(631,469)**	343,666
Total capital	**(390,903)**	581,818
Gearing ratio	**-61.54%**	40.93%

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Recognition of revenue

The Group recognises the revenue over time based on the percentage of completion, using input methods in accordance with HKFRS 15. The percentage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budgeted cost. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses and regularly reviews the progress of the contracts.

(b) Impairment of trade receivables, contract assets and other receivables

The expected credit losses for trade receivables, contract assets and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's assessment on 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. Details of management's credit risk assessment are disclosed in the tables in Note 3.1.2.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(d) Going concern assumptions

stated in note 2.2, the Group's consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis. The assessment of the going concern assumption involves making significant judgment by the Directors and management about the future outcome of evens or conditions which are uncertain. The Directors and management have been in the process of formulating plans and measures to mitigate the liquidity pressure of the Group and conclude that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2022 on a going concern basis.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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 executive directors of the Company regards that there is only one segment which is used to make strategic decisions.

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 years ended 31 December 2022 (2021: same).

The Group's main customers are real estate developers in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Customer A	**25,409**	N/A*
Customer B	**23,912**	N/A*
Customer C	**20,413**	96,411

* The corresponding revenue did not contribute over 10% of the total revenue of the Group

As at 31 December 2022, all of the non-current assets were located in the PRC (2021: same).

(a) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Contract assets relating to construction contracts	**24,961**	955,711
Less: Loss allowance	**(19,437)**	(540,048)
Total contract assets	**5,524**	415,663
Contract liabilities relating to construction contracts	**—**	150,619

Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has provided less services ahead of billing for certain construction contracts.

Contract liabilities represented the billing progress in excess of the construction works performed and the advance payment made by customers. Contract liabilities decreased for the year ended 31 December 2022 as a result of the decrease in receipts from the Group's new contracts.

6 REVENUE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Point over time:		
Revenue from construction contracts	**181,904**	535,072
At a point in time:		
Sales of goods, design and other income	**7,207**	19,435
Total	**189,111**	554,507

7 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Raw materials and consumables used	**24,481**	35,274
Construction project cost	**158,033**	480,672
Staff costs (including directors' emoluments) *(Note 8)*	**13,742**	22,602
Consulting and professional fee	**3,033**	3,384
Depreciation and amortisation expenses	**2,516**	2,944
Other taxes	**470**	3,577
Auditor's remuneration	**1,000**	1,600
Travelling expenses	**501**	696
Entertainment expenses	**1,291**	1,583
Office expenses	**2,623**	5,308
Miscellaneous	**44**	83
Total cost of sales, selling and marketing expenses and administrative expenses	**207,734**	557,723
Impairment losses recognised during the year:		
— trade receivables	**751,862**	107,338
— contract assets	**19,437**	322,756
— other receivables	**127,879**	1,588
	899,178	431,682

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**11,827**	20,759
Housing funds, medical insurances and other social insurances	**872**	742
Pension costs — defined contribution plans	**1,043**	1,100
	13,742	22,601

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

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

The remuneration of each director, supervisor and chief executive for the year ended 31 December 2022 is set out below:

Name	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contribution to pension scheme *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Ye Yujing (i)	—	712	45	757
Mr. Ye Guofeng	—	444	45	489
Mrs. Ye Xiujin	—	146	—	146
Mr. Ye Jiajun	—	163	23	186
Non-executive director				
Mrs. Li Yuanfei (ii)	36	—	—	36
Mr. Zhuang Liangbin	48	—	—	48
Independent non-executive directors				
Mrs. Zhai Xin (iii)	39	—	—	39
Mr. Zhou Wanxiong (iii)	31	—	—	31
Mr. Sun Changqing (iii)	31	—	—	31
Mr. Lin Zhiyang	80	—	—	80
Mr. Cai Huiming	80	—	—	80
Supervisors				
Mr. Tian Wen (iv)	—	—	—	—
Mr. Li Rui (iv)	—	—	—	—
Mr. Ye Weizhou	—	108	15	123
	345	1,573	128	2,046

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

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

The remuneration of each director, supervisor and chief executive for the year ended 31 December 2021 is set out below:

Name	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contribution to pension scheme *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Ye Yujing (i)	—	705	39	744
Mr. Ye Niangting	—	298	29	327
Mr. Ye Guofeng	—	440	39	479
Mrs. Ye Xiujin	—	146	—	146
Mr. Ye Jiajun	—	162	22	184
Non-executive director				
Mrs. Li Yuanfei (ii)	80	—	—	80
Mr. Zhuang Liangbin	27	—	—	27
Independent non-executive directors				
Mr. Lin Zhiyang	80	—	—	80
Mrs. Zhai Xin (iii)	80	—	—	80
Mr. Zhang Yangwei	65	—	—	65
Mr. Cai Huiming	15	—	—	15
Supervisors				
Mr. Tian Wen (iv)	—	—	—	—
Mr. Zu Li (iv)	—	—	—	—
Mr. Li Rui	—	—	—	—
Mr. Ye Weizhou	—	109	15	124
	347	1,860	144	2,351

(i) Mr. Ye Yujing is also the chief executive of the Company.

(ii) On 10 June 2022, Mrs. Li Yuanfei resigned as a non-executive director.

(iii) On 24 June 2022, Mrs. Zhai Xin resigned as a non-executive director, Mr. Zhou Wanxiong and Mr. Sun Changqing were appointed as independent non-executive director.

(iv) During the year ended at 31 December 2022, Mr. Tian Wen and Mr. Zu Li, supervisors of the Company waived their fees as for supervisor (2021: same).

(v) The aggregate emoluments paid to or receivable by directors in respect of their services as directors of the Company for the year ended 31 December 2022 were RMB320,000 (2021: RMB321,000). The aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Group for the year ended 31 December 2022 were RMB2,232,000 (2021: RMB2,115,000).

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2021: same). No consideration was provided to or receivable by third parties for making available directors' services (2021: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: same).

No director of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: same).

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group included two directors (2021: three), whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individual during the years ended 31 December 2022 and 2021, are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Salaries and other benefits	**612**	574
Contribution to pension scheme	**49**	73
	661	647

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

	Year ended 31 December	
	2022	2021
Emolument bands		
Nil to HKD1,000,000	**3**	2

9 OTHER INCOME — NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Government grants (a)	**83**	89
Rental income from investment properties	**580**	843
Disposal of property, plant and equipment	**853**	1,102
Others	**182**	2,619
	1,698	4,653
Outgoings related to rental income	**(365)**	(365)
Litigation compensation (b)	**(39,030)**	(27,280)
Others	**(80)**	(392)
	(39,475)	(28,037)
	(37,777)	(23,384)

(a) Government grants are under no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

(b) Litigation compensation is the amount of money that the Group should have to pay as a result of lawsuit by suppliers as disclosed in note 26.

10 FINANCE COSTS — NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Finance income		
— Interest income derived from bank deposits	**91**	803
Finance costs		
— Interest expenses on borrowings	**(19,062)**	(17,395)
— Expense for factoring arrangement	**(420)**	(1,895)
— Interest expenses for lease liabilities	**(35)**	(72)
	(19,517)	(19,362)
	(19,426)	(18,559)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax		
— PRC Enterprise Income Tax	**—**	946
Deferred income tax	**—**	100,327
	—	101,273

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

Pursuant to the PRC Enterprise Income Tax Law ("**EIT Law**"), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. On 9 December 2022, the Company renewed the High and New Technology Enterprise Certificate which is effective for three years commencing on 1 January 2022. The applicable income tax rate is 15% for the years from 2022 to 2024. 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% (2021: 25%) in accordance with EIT Law.

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(975,004)**	(476,841)
Calculated at applicable tax rate	**(146,287)**	(71,526)
Expenses not deductible for tax purposes	**—**	141,179
Unrecognised temporary difference (a)	**146,287**	64,918
Additional deduction on research and development expenses	**—**	(33,298)
	—	101,273

(a) Based on the continuing losses within the group and the uncertainty of future earnings, therefore, at the beginning of the year no deferred tax assets have been recognised.

12 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	**(975,004)**	(578,114)
Weighted average number of ordinary shares in issue (thousand shares)	**240,931**	240,931
Basic loss per share (RMB)	**(4.05)**	(2.40)

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2022 and 2021. Diluted loss per share for the year ended 31 December 2022 and 2021 are the same as the basic loss per share.

13 DIVIDENDS

The board of directors did not recommend the payment of any final dividend in respect of the years ended 31 December 2022 and 2021.

14 SUBSIDIARIES

Subsidiaries of the Group as at 31 December 2022 and 2021 are set out as below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Type of legal status	Place of incorporation/ establishment	Principal activities and place of operation	Registered/ paid up capital	Proportion of ordinary shares directly held by parent
Jingdi Industrial (Shenzhen) Company Limited (景帝實業(深圳)有限公司)	Limited liability company	Shenzhen, the PRC	industrial and commercial investments(specific programs to be separately applied for);supply chain management; export and import trade; the PRC	RMB10,100,000	100%
Huidong Yip's Development Limited Company (惠東葉氏實業發展有限公司)	Limited liability company	Huizhou, the PRC	Development and construction of industrial park; the PRC	RMB500,000	100%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited (惠東士寬裝飾傢俬創藝文化有限公司)	Limited liability company	Huizhou, the PRC	Design and sale of mobile and fixed furniture suitable for the use of construction decoration works, soft decoration product; the PRC	RMB500,000	100%
Adway Construction (Hong Kong) Limited (愛得威建設(香港)有限公司)	Limited liability company	Hong Kong	Building decoration, construction material import and export; Hong Kong	HKD10,000	100%

15 PROPERTY AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture and office equipment *RMB'000*	Total *RMB'000*
At 1 January 2021					
Cost	90,160	157	14,514	7,392	112,223
Accumulated depreciation	(40,238)	(80)	(10,748)	(6,662)	(57,728)
Net book amount	49,922	77	3,766	730	54,495
Year ended 31 December 2021					
Opening net book amount	49,922	77	3,766	730	54,495
Additions	—	28	—	28	56
Disposal	—	—	(2,430)	(43)	(2,473)
Depreciation	(2,067)	(27)	(578)	(243)	(2,915)
Closing net book amount	47,855	78	758	472	49,163
At 31 December 2021					
Cost	90,160	185	7,513	5,972	103,830
Accumulated depreciation	(42,305)	(107)	(6,755)	(5,500)	(54,667)
Net book amount	47,855	78	758	472	49,163
Year ended 31 December 2022					
Opening net book amount	47,855	78	758	472	49,163
Additions	—	54	—	2	56
Disposal	—	—	(5)	(6)	(11)
Depreciation	(2,058)	(24)	(240)	(129)	(2,451)
Closing net book amount	45,797	108	513	339	46,757
At 31 December 2022					
Cost	90,160	239	7,508	5,968	103,875
Accumulated depreciation	(44,363)	(131)	(6,995)	(5,629)	(57,118)
Net book amount	45,797	108	513	339	46,757

Depreciation of the property and equipment has been charged to profit or loss as follows:

	Year ended 31 December	
	2022 ***RMB'000***	2021 *RMB'000*
Selling and marketing expenses	**11**	22
Administrative expenses	**2,440**	2,893
	2,451	2,915

As at 31 December 2022, buildings of approximately RMB45,797,000 were pledged to secure the borrowings as disclosed in note 25 (2021: RMB47,855,000).

16 RIGHT-OF-USE-ASSETS

(a) Leased assets

	Land use rights *RMB'000*	Properties *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2021	11,242	3,160	14,402
Early termination	—	(132)	(132)
At 31 December 2021 and at 1 January 2022	11,242	3,028	14,270
Early termination	—	(3,028)	(3,028)
At 31 December 2022	11,242	—	11,242
Accumulated depreciation			
At 1 January 2021	(2,167)	(1,651)	(3,818)
Depreciation	(286)	(591)	(877)
At 31 December 2021 at 1 January 2022	(2,453)	(2,242)	(4,695)
Early termination	—	2,242	2,242
Depreciation	(294)	—	(294)
At 31 December 2022	(2,747)	—	(2,747)
Net book value			
At 31 December 2022	8,495	—	8,495
At 31 December 2021	8,789	786	9,575

(b) Leased liabilities

	At 31 December 2022 ***RMB'000***	At 31 December 2021 *RMB'000*
Lease liabilities		
Current	—	—
Non-current	—	946
	—	946

As at 31 December 2022,the weighted average lessee's incremental borrowing rate applied was 4.35% (2021: 4.35%).

During the year ended 31 December 2022, there was no cash outflows for the leases and short-term leases and low-value assets (2021: RMB nil).

17 INTANGIBLE ASSETS

	2022 *RMB'000*	2021 *RMB'000*
At 1 January		
Cost-software	**6,646**	5,369
Accumulated amortisation	**(6,625)**	(5,332)
Net book amount	**21**	37
For the year		
Opening net book amount	**21**	37
Addition	**—**	1,277
Amortisation	**(21)**	(1,293)
Closing net book amount	**—**	21
At 31 December		
Cost	**6,646**	6,646
Accumulated amortisation	**(6,646)**	(6,625)
Net book amount	**—**	21

18 TRADE RECEIVABLES

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**789,074**	1,148,346
Less: provision for impairment of trade receivables	**(751,862)**	(501,340)
Trade receivables — net	**37,212**	647,006
Notes receivable	**—**	100
	37,212	647,106

18 TRADE RECEIVABLES *(Continued)*

Ageing analysis of trade receivables based on revenue recognition date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**169,835**	472,205
1 year to 2 years	**174,122**	78,199
2 years to 3 years	**40,055**	448,249
3 years to 4 years	**279,822**	38,082
4 years to 5 years	**30,722**	40,699
Over 5 years	**94,518**	70,912
	789,074	1,148,346

The carrying amounts of trade receivables approximate their fair values due to their short-term maturities. The Group's trade receivables are denominated in RMB.

As at 31 December 2022 and 2021, trade receivables were pledged to secure the borrowings as disclosed in note 25.

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Prepayments	**—**	106,489
Other receivables — net	**15,441**	26,520
	15,441	133,009

Other receivables

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Other receivables	**81,255**	49,823
Less: provision for impairment of other receivables	**(65,814)**	(18,240)
Less: non-current other receivables	**—**	(5,063)
Other receivables — net	**15,441**	26,520

As at 31 December 2022, included in other receivables was approximately RMB231,000 (2021: RMB5,063,000) related to retention receivables, net of allowance.

20 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Denominated in RMB		
— Cash at bank	**930**	8,537
— Cash on hand	**44**	27
	974	8,564
Denominated in HKD		
— Cash at bank	**32**	32
Total	**1,006**	8,596

21 RESTRICTED BANK BALANCE

As at 31 December 2022 and 2021, restricted bank balance is restricted deposits judicially frozen as a result of creditor litigation.

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares *('000)* *(Note a)*	Share Capital *RMB'000*	Share Premium *RMB'000*	Total *RMB'000*
Issued and fully paid:				
At 31 December 2021	240,931	240,931	323,070	564,001
At 31 December 2022	**240,931**	**240,931**	**323,070**	**564,001**

Note (a)

The share capital of the Company as at 31 December 2022 is as follows:

	Number of domestic Shares *('000)*	Number of H Shares *('000)*	Total *('000)*
At 31 December 2021	178,168	62,763	240,931
At 31 December 2022	**178,168**	**62,763**	**240,931**

23 OTHER RESERVES

	Statutory reserve *RMB'000*	Safety reserve *RMB'000*	Capital reserve *RMB'000*	Total *RMB'000*
At 1 January 2021	80,126	28,480	323,070	431,676
Transfer to statutory reserve	—	—	—	—
Transfer to safety reserve	—	(28,348)	—	(28,348)
At 31 December 2021	80,126	132	323,070	403,328
At 1 January 2022	**80,126**	**132**	**323,070**	**403,328**
Transfer to statutory reserve	**—**	**—**	**—**	**—**
Transfer to safety reserve	**—**	**(132)**	**—**	**(132)**
At 31 December 2022	**80,126**	**—**	**323,070**	**403,196**

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC and the Company's Articles of Association, the company is required to transfer no less than 10% of their profit after taxation calculated under PRC accounting standards and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

(b) Safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the years ended 31 December 2022 and 2021. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated income statement as incurred.

24 TRADE AND OTHER PAYABLE

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Trade payable	**413,983**	353,108
	413,983	353,108
Other tax payable	**11,792**	121,272
Payroll payable	**2,307**	5,838
Other payable	**55,792**	55,923
	483,874	536,141

24 TRADE AND OTHER PAYABLE *(Continued)*

Ageing analysis of trade payable based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**163,933**	62,608
1 year to 2 years	**56,082**	101,581
2 years to 3 years	**67,282**	121,050
Over 3 years	**126,686**	67,869
	413,983	353,108

25 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Bank borrowings — pledged, secured and guaranteed	**175,742**	209,303
Bank borrowings — secured and guaranteed	**53,630**	26,499
Other borrowings — pledged	**10,000**	10,000
Other borrowings — unsecured	**2,200**	—
	241,572	245,802

As at 31 December 2022, the borrowings of approximately RMB239.4 million were pledged by property and equipment (note 15), trade receivables (note 18) and guaranteed by the Company's substantial shareholder, Mr. Ye and Mrs. Ye and certain shareholders of the Group.

As at 31 December 2022 and 2021, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rate as at 31 December 2022 was 8.08% (2021: 7.88%) per annum.

As at 31 December 2022, the borrowings amounted to approximately RMB206.29 million were due, and the Group failed to repay or renew the due loan (2021: RMB17.0 million).

26 PROVISIONS

During the year ended 31 December 2022, the Group received several court orders which were filed by its suppliers for failure to perform the obligation under the suppliers' contracts. According to the Group's in-house legal adviser, the directors of the Company estimated that the Group may therefore be liable for payables, interest and default of approximately RMB31,481,000 (2021: RMB14,755,000).

27 CASH FLOW INFORMATION

(a) Cash generated from operations

Reconciliation of loss before income tax to cash generated from operations is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(975,004)**	(476,841)
Adjustments for:		
— Depreciation of property and equipment and investment properties	**2,494**	2,946
— Depreciation of right-of-use assets	**294**	877
— Amortisation of intangible assets	**21**	1,293
— Provision of financial and contract assets	**899,178**	431,682
— Financial costs — net	**19,426**	19,314
— Gain on disposal of property, plant and equipment	**(853)**	(1,099)
— Provision	**22,304**	14,755
— Gain on termination of lease	**(160)**	—
	(32,300)	(7,073)
Changes in working capital:		
— Contract assets	**380,391**	546,841
— Contract liabilities	**(150,619)**	26,996
— Trade receivables, prepayments and other receivables	**(136,978)**	(319,159)
— Trade and other payables	**(68,396)**	(241,627)
Cash generated from operations	**(7,902)**	5,978

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,006**	8,596
Borrowings — repayable within one year	**(241,572)**	(245,802)
Lease liabilities	**—**	(946)
Net debt	**(240,566)**	(238,152)

27 CASH FLOW INFORMATION *(Continued)*

(b) Net debt reconciliation *(Continued)*

	Borrowings due within 1 year *RMB'000*	Leases *RMB'000*	Total *RMB'000*
Net debt as at 1 January 2021	(364,250)	(1,477)	(365,727)
Cash flows	118,448	531	118,979
Net debt as at 31 December 2021	(245,802)	(946)	(246,748)
Cash flows	**12,741**	**35**	**12,776**
Non-cash changes			
— Accrual interest	**10,551**	**—**	**10,551**
— Termination of lease	**—**	**946**	**946**
— Interest expenses	**(19,062)**	**(35)**	**(19,097)**
Net debt as at 31 December 2022	**(241,572)**	**—**	**(241,572)**

28 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Salaries and other benefits	**1,574**	1,861
Contribution to pension scheme	**128**	144
Total	**1,702**	2,005

(b) The Group's bank borrowings of RMB229,372,000 as at 31 December 2022 have been guaranteed by the controlling shareholders, Mr. Ye and Mrs. Ye and certain shareholders of the Group (The Group's bank borrowings of RMB235,802,000 as at 31 December 2021 have been guaranteed by the controlling shareholders, Mr. Ye and Mrs. Ye or certain shareholders of the Group).

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**21,777**	21,777
Property and equipment	**46,319**	48,698
Right-of-use-assets	**—**	786
Investment properties	**559**	602
Intangible asset	**—**	21
Prepayments and other receivables	**—**	5,063
	68,655	76,947
Current assets		
Contract assets	**5,524**	415,657
Trade receivables	**37,212**	647,106
Prepayments and other receivables	**12,631**	126,249
Amounts due from subsidiaries	**2,434**	4,665
Restricted bank balance	**11,876**	24,617
Cash and cash equivalents	**804**	3,443
	70,481	1,221,737
Total assets	**139,136**	1,298,684

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Statement of financial position of the Company *(Continued)*

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Share capital	**240,931**	240,931
Reserves	**(868,941)**	105,834
Total equity	**(628,010)**	346,765
LIABILITIES		
Non-current liabilities		
Lease liabilities	**—**	945
Deferred revenue	**1,412**	1,485
Provision	**—**	14,755
	1,412	17,185
Current liabilities		
Trade and other payables	**492,681**	538,313
Contract liabilities	**—**	150,619
Borrowings	**241,572**	245,802
Provision	**31,481**	—
	765,734	934,734
Total liabilities	**767,146**	951,919
Total equity and liabilities	**139,136**	1,298,684
Net (liabilities)/assets	**(628,010)**	346,765

The statement of financial position of the Company was approved by the board of directors on 28 September 2023 and was signed on its behalf by:

Mr. YE Yujing
Executive Director

Mr. YE Guofeng
Executive Director

29 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

(b) Reserve movement of the Company

	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (accumulated losses) *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	323,050	28,480	360,759	712,289
Comprehensive income				
— Loss for the year	—	—	(578,107)	(578,107)
Total comprehensive income	323,050	28,480	(578,107)	(578,107)
Transfer to statutory reserve	—	14,861	—	14,861
Utilisation of safety reserve	—	(43,209)	—	(43,209)
Balance at 31 December 2021	323,050	132	(217,348)	105,834
Balance at 1 January 2022	**323,050**	**132**	**(217,348)**	**105,834**
Comprehensive income				
— Loss for the year	**—**	**—**	**(974,643)**	**(974,643)**
Total comprehensive income	**323,050**	**132**	**(974,643)**	**(974,643)**
Transfer to statutory reserve	**—**	**2,253**	**—**	**2,253**
Utilisation of safety reserve	**—**	**(2,385)**	**—**	**(2,385)**
Balance at 31 December 2022	**323,050**	**—**	**(1,191,991)**	**(868,941)**

30 EVENT AFTER THE REPORTING PERIOD

Save as disclosed in other notes to these financial statements, there were no other significant subsequent events after 31 December 2022 which would have a material impact on these consolidated financial statements.