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GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

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

(Stock Code: 6189)

**CHANGE OF AUDITORS,
CHANGE OF ACCOUNTING STANDARD AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

This announcement is made by Guangdong Adway Construction (Group) Holdings Company Limited* (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(1) and Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

CHANGE OF AUDITORS

The board (the “**Board**”) of directors of the Company announces that as the Company, with a view to reasonably managing the audit costs, to reducing expenses of the Company and to facilitating the fund raising in capital market of China, made an amicable negotiation with PwC. And PwC has decided to tender its resignation as the auditor of the Company, with effect from 4 January, 2021, i.e. the date of its resignation letter. The Company obtained this letter on 8 January 2021.

The audit committee of the Company (the “**Audit Committee**”) had recommended the Board for the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (“**BDO**”) as the auditor of the Company. BDO is an eligible PRC audit firm approved by Ministry of Finance of the People’s Republic of China (“**PRC**”) and the China Securities Regulatory Commission to provide auditing services in accordance with the China Accounting Standards for Business Enterprises (“**CASBE**”) to PRC incorporated issuers. Upon the appointment as auditors, BDO will undertake all such activities as required to be performed by the Company’s auditors under the Listing Rules. According to the code provision C.3.3 of Appendix 14 to the Listing Rules, the Audit

Committee has performed the following duties: to be primarily responsible for (a) making recommendations to the Board on the appointment of BDO; and (b) to address issues relating to the resignation of PwC (if any). Specifically, the Audit Committee has:

1. evaluated and discussed the impact of the change of auditor on the audit of the consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Audit**”);
2. received quotations from various audit firms for the 2020 Financial Audit and made a preliminary choice of BDO after making comparative analysis on aspects such as fees and experience;
3. conducted teleconference with the partner and audit manager of BDO; and
4. conducted a further assessment of BDO including its qualifications, industry experience, service capabilities and adjustment to future audit fees.

The Audit Committee considered that it is suitable to select BDO in light of its relevant industry experience, fee quotation and other relevant factors. An unanimous consensus was reached to recommend to the Board of the appointment of BDO as the new auditor of the Company.

The Board resolved to adopt the recommendations of the Audit Committee for the appointment of BDO as the new auditor of the Company with effect from 4 January 2021 and BDO shall hold office until the conclusion of the next annual general meeting of the Company.

PwC stated in their letter of resignation dated 4 January 2021 that the matters referred below, are the circumstances connected with their resignation which they consider should be brought to the notice of the Shareholders or the creditors of the Company:

The excerpt from PwC resignation letter is as follows:

“We were notified by Mr. Zhang Zhiqin, Chief Financial Officer of the Company on 25 December 2020 that the board of directors has resolved to ask us to consider to resign as the auditor of the Company. We, PricewaterhouseCoopers, give notice that we resign as the auditor of the Company with the effect from the date of this letter.

In accordance with the Code of Ethics for Professional Accountants Section 300 “Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong”, we are required to write to the Audit Committee and the Board of Directors of the Company to set out the matters leading to our resignation as the auditor of the Company. These matters also represent those that we consider necessary should be brought to the attention of the Company’s shareholders and creditors.

We were appointed as the auditor of the Company in the Company's Annual General Meeting held on 12 June 2020. With the consideration of the Company's plan of certain capital market transaction, we conferred with the Company to carry out certain confirmation procedures in respect of certain balances and related transaction amounts as at and for the period ended 30 June 2020. During the course of carrying out such procedures, we noticed certain matters which we considered should be brought to the attention of the management of the Company and reported the following matters to the Company's management in a letter dated 27 October 2020. Up to the date of this letter, the management of the Company has not provided us with further evidence or explanations on these matters.

- (1) When we followed up on the response of a confirmation in a telephone call with the relevant contact person of the respondent, we were informed that an anonymous person who claimed to be our staff called the contact person twice attempting to interfere the confirmation process. We subsequently found that the delivery address of that confirmation reply was modified and sent to the address of the Company with receipt acknowledged. Up to the date of this letter, we have not received the reply of this confirmation. The contact person of the respondent verbally informed us that they replied that they are not in agreement with the details of the confirmation.
- (2) With regards to one confirmation request, the Company provided the address and contact person information of the respondent to us twice, but we were unable to verify the information with personnel of the respondent.
- (3) In respect of two confirmation replies received, for which the respondents confirmed that the details are in agreement with their records, it came to our attention that the finance personnel of the two respondents claimed that they have not received or processed any confirmation request from us during our follow up procedures.
- (4) In view of the difficulty in verifying the respondent's contact persons information provided by the Company, we are unable to send out the follow up request of certain outstanding confirmations pending for further verification of the information of the respondents.
- (5) There are still some confirmation replies remains outstanding and some confirmation requests are still pending to send out. Among the confirmation replies received, there are certain confirmation replies subject to further verification and follow-up upon receipt of further analysis and explanations from the Company.

We were notified on 25 December 2020 that the board of directors of the Company has resolved to ask us to consider to resign as the auditor of the Company, given that we were unable to obtain further explanation and evidence regarding the aforementioned matters and to reasonably estimate the time required to complete our work, we agreed to resign as the auditor of the Company with the effect from the date of this letter.”

The Board addressed the matters related to the foregoing comments of PwC as follows:

The Board considered, while implementing the confirmation procedures, the Company has actively cooperated with PwC. Since the Company obtained the letter from PwC on 27 October 2020, and was informed of the concerns of PwC, it had been more enthusiastically and closely communicating with PwC through phone call or face to face talk, following ups and solving the matters. The details of the Company's responses are set out below.

Reply to question 1

The company hereby clarifies:

With regard to the confirmation issue aforementioned in PwC resignation letter, while PwC had been communicating with the contact persons of the respondents, the Company appointed certain employee to contact them at the same time for the purpose of collaborating with PwC in implementing the confirmation procedure. Throughout the whole communication process with the contact persons of the respondents, the employee of the Company had insisted on identifying themselves as the personnel of the Company. When the Company enquired of this employee about this issue, he insisted that there was no any imposture during his communication with the contact persons of the respondent. And the management of the Company believed that there was no any need for its employee to assume the identify of PwC personnel. During the whole confirmation procedures, numerous persons (including the employee of the Company and PwC) constantly communicated with the contact persons of the respondents for many times. It is possible for the contact persons to become confused about the individual identify of each person who ever made the call for confirmation issue.

Based on the communication with the contact persons of the respondent involved, the employee of the Company was aware of the fact that the contact persons sent out a reply that was not stamped. Pursuant to the requirements of PwC, the replies cannot be regarded as effective until they are properly stamped. When the employee of the Company negotiated with the contact persons to solve this issue, the contact persons regarded the workload involved as troublesome and hereby changed the addresses of the reply into the address of the Company in order to make the Company to toil on the follow-ups arrangements instead.

Afterwards when the employee of the Company opened up the letter (from this respondents) that was addressed to the Company, and confirmed that the content of the letter was the aforementioned reply to confirmation request. And it was not sealed by official stamp.

With the view of understanding the situation, the Company representatives, accompanied by the third party lawyer and other accountant representative, went to visit the office location of this respondent. But the contact person declined the face to face interview based on the reason that he did not work on the relevant position after the completion of this project.

Reply to issue 2

The Company hereby clarifies:

The certain project that was related to the confirmation requests aforementioned as issue 2 had been involved with both Guangzhou and Nanjing branches of the respondent. The contact information and address of the contact person of its Guangzhou Branch provided by the Company was verified and confirmed by PwC through public means. PwC subsequently sent out the confirmation request as usual. In the reply to the confirmation request, the contact person reported that one of the contracts involved for this confirmation was not within the scope of authority of Guangzhou but Nanjing branch. Therefore, the destination of the confirmation request was changed to Nanjing Branch instead. Afterwards PwC claimed to be unable to verify the contact person and the contact information of the Nanjing Branch. Regarding the fact that PwC not getting through the public phone of Nanjing branch briefly as the reason behind the issue, the Company considered that the unavailability of the verification on contact information was merely temporary, therefore provided PwC the same set of contact information and address of the contact person of the Nanjing Branch the second time instead.

PwC did not report further whether the information provided could be verified or not. PwC then sent the confirmation request to a contact person which they have obtained directly from the respondent.

Reply to issue 3

The Company hereby clarifies:

The Company, in respond to the request of PwC, arranged to visit the office of the two respondents together with PwC staff for the purpose of coordination of confirmation arrangement. PwC did not have any disagreement with the arrangement. Afterwards these two respondents issued normal replies to the confirmation requests. Therefore when PwC mentioned in its resignation letter that the finance departments in headquarters of these two respondent had neither received or processed the confirmation request, under the objective conditions, the Company had no knowledge of the occurrence of the incidents, was unable to verify the authenticity of such information, had no authority to interfere with the internal workflow of these respondents, was not in a position to validate their internal policies whether included “the approvals of finance departments are the prerequisites for any issuance of the reply to the confirmation request”. And even though these policies exist, the Company had no way to identify the extents of the strictness and thoroughness during these respondents’ implementation of these internal policies.

Reply to issue 4

The Company hereby clarifies:

With regards to the particular respondents aforementioned, the Company had provided PwC with the contact information and the address of its contact person. All of these information can be publicly verified. And by verifying through the online public means, the identity of the contact person can be confirmed as the one in charge of the tendering for the project involved. In addition, before PwC labelled this respondent as “No Reply Yet” in its summary on 17 October 2020, its reply status was labelled as “Replied” in its summary. The Company therefore believed that the confirmation procedures for this particular customer had been finalized, then no action required. With regard to the aforementioned issue that another respondent’s contact person information is difficult to be verified, the Company hereby clarifies: because during the past cooperation the Company and this respondent involved had the previous legal disputes and ever filed the lawsuits to the courts, the communications have not been going smoothly.

The Company had explained this situation to PwC and submitted the relevant case files to PwC for consult. Under the objective conditions, the Company has been unaware of the fact the contact person of this aforementioned respondent had already resigned.

Reply to issue 5

The Company hereby clarifies:

Pursuant to the latest version of confirmation statistics table provided by PwC on 17 October 2020, out of the 101 confirmation requests sent out, 64 replies have been received. There are only two remaining confirmation requests which could not be sent out. The reasons are as follows: (1) As per the first respondent since the former project manager resigned, it is difficult to find anyone who is ready to cooperate to take over the duty of the contact person for this confirmation procedure. (2) the second respondent is the one that ever refused to accept the confirmation request. Afterwards the Company was unable to locate any staff of this respondent who would like to collaborate on confirmation issue as the contact person for confirmation request. Among all the replies ever received from respondents, if there is any one which requires any data analysis or explanations for further verification and follow-up, the Company shall actively accommodate and closely cooperate.

The Board and the Audit Committee have confirmed that except for the foregoing, there is no disagreement between PwC and the Company and, there are no other matters in respect of the change of auditors that needed to be brought to the attention of the Shareholders or creditors of the Company. The Board and the Audit Committee believe that the change of auditors will not have any impact on carrying out the work of the 2020 Financial Audit.

The Board would like to take this opportunity to express its sincere gratitude to PwC for its professional services rendered to the Group during the past years and express its warm welcome to BDO on its appointment as the auditor of the Company.

PROPOSED CHANGE OF ACCOUNTING STANDARD

Since the H Shares became listed on the Stock Exchange, the Company has been preparing its financial statements under both CASBE and Hong Kong Financial Reporting Standards (“**HKFRS**”).

In view of the Proposed A Share Listing, the Board passed a resolution on 25 December 2020 to prepare only one set of financial statements of the Company under CASBE (the “**Proposed Change of Accounting Standard**”), subject to the Shareholders’ approval of the proposed amendments to the Articles of Association as described in the paragraph headed “Proposed amendments to the Articles of Association below (the “**Proposed Amendments to the Articles of Association**”).

Subject to the approval of the Shareholders for the Proposed Change of Accounting Standard and the Proposed Amendments to the Articles of Association, it is expected that the financial statements of the Company for the year ending 31 December 2020 and the financial periods thereafter will be prepared in accordance with CASBE. The Board is of the view that the Proposed Change of Accounting Standard will improve the efficiency and reduce the cost of disclosure, and is in the best interest of the Company and the Shareholders as a whole.

The Company is of the view that the preparation of its financial statements in accordance with CASBE will not have a material effect on the financial position, operating results and cash flows of the Company in 2020 and in the future.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to improve work efficiency, the Company intends to prepare the financial statements in accordance with the CASBE. As a result, the Board proposes amending certain articles under the articles of association of the Company (the “**Articles of Association**”). Particulars of the proposed amendments are as follows:

The original Article 16.6:

“The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the Company’s shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be specified in the notes to the financial statements. When the Company is to distribute its after-tax profits in respective of the relevant financial year, the lower amount of the after-tax profits as shown in the two financial statements shall be adopted.”

is proposed to be amended as:

“The financial statements of the Company shall **be prepared in accordance with PRC accounting standards and regulations.**”

The original Article 16.7

“The interim results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Company’s shares are listed.”

is proposed to be amended as:

“**Any results or financial information** published or disclosed by the Company **shall be prepared and presented in accordance with PRC accounting standards and regulations.**”

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of passing a special resolution at the forthcoming extraordinary general meeting of the Company (the “EGM”). The proposed amendments shall come into effect upon the approval from the Shareholders at the EGM. The Company will despatch the EGM Circular to the Shareholders as soon as practicable.

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

Shenzhen, the PRC, 13 January, 2021

As at the date of this announcement, the Board of the Company comprises Mr. Ye Yujing, Ms. Ye Xiujin, Mr. Ye Guofeng, Mr. Ye Niangting and Mr. Ye Jiajun, as Executive Directors; Ms. Li Yuanfei as Non-executive Director; and Mr. Cheung Wai Yeung Michael, Ms. Zhai Xin, and Mr. Lin Zhiyang, as Independent Non-executive Directors.

* *for identification purpose only*