ADWAY

廣東愛得威建設（集團）股份有限公司

GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

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

Stock code: 6189

Annual Report 2017

* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生)
Mr. LIU Yilun (劉奕倫先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Niangting (葉娘汀先生)

Non-executive director

Mr. TIAN Wen (田文先生)

Independent Non-Executive Directors

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

SUPERVISORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) *(Chairman)*
Mr. YE Yujing (葉玉敬先生)
Mr. WANG Zhaowen (王肇文先生)

REMUNERATION COMMITTEE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

STRATEGY COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)
Ms. KOU Yue (寇悅女士)

AUDITOR

PricewaterhouseCoopers

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

H SHARE REGISTRAR

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

PRINCIPAL BANKS

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

JOINT COMPANY SECRETARIES

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

6189

COMPANY'S WEBSITE

http://www.aidewei.cn

FINANCIAL SUMMARY

(in RMB million, unless otherwise stated)

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
Revenue	**1,672.8**	1,728.5	1,659.7	1,479.7	1,484.6
Gross Profit	**224.2**	204.8	197.7	163.4	156.7
Gross Profit Margin	**13.4%**	11.8%	11.9%	11.0%	10.6%
Profit for the Year	**115.8**	107.6	100.7%	79.1	60.7
Net Profit Margin	**6.9%**	6.2%	6.1%	5.3%	4.1%
Basic and diluted earnings per share (RMB)	**54.89 cents**	65.82 cents	63.62 cents	50.31 cents	39.00 cents

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2017	2016	2015	2014	2013
Non-current assets	**148.9**	123.2	154.6	142.5	144.1
Current assets	**1,969.4**	1,442.1	1,180.5	1,176.3	717.2
Non-current liabilities	**1.8**	1.8	1.3	66.3	—
Current liabilities	**1,216.3**	779.1	860.5	880.9	569.4
Total equity	**900.2**	784.4	473.4	371.6	291.9

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors of Guangdong Adway Construction (Group) Holdings Company Limited, I hereby presented to you the annual report 2017 of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2017.

2017 was the 21st anniversary for the development of Adway. Maintaining a steady and satisfactory momentum of development, the Group firmly carried forward various aspects of work. With the Company's background in turning itself into a listed company, there has been a significant enhancement in the market reputation, strength of brand building as well as the influence of the integrated platform.

1. REVIEW OF THE ANNUAL RESULTS

The Group realized revenue of RMB1,672.8 million for the year ended 31 December 2017, maintaining stable in comparison of 2016, and a net profit of RMB115.84 million, representing an increase of 7.6% over year 2016. In general, the Group sustained its solid results in 2017 and did not show a significant volatility, leading itself to achieve in setting up a working keynote of "seeking progress amidst stability" as a whole at the beginning of the year.

2. 2017 WORK REVIEW

Recently, the building decoration industry has maintained a relatively higher rate in growth as usual. The building decoration industry in China amounted to a total output value of 3.73 trillion in 2016, representing a CAGR reaching 9.70%, increased from 2.10 trillion in 2010. As the Chinese economy posted a solid rebound in 2017, the 2017 total output value in the building decoration industry in China was estimated to be approximately 4.12 trillion, an increase of 10.46% compared to 2016. The huge market has indicated that we have had a large growth potential in our results. As such, while we have been satisfied with the consolidated foundation of results, we have seen the necessity in developing our own results. Under the positive big market's background of the building decoration industry, development trends and opportunities have been captured with the realization of the rapid progress in terms of results. This is also one of the goals that all the colleagues at Adway are striving for. The operating strategies of "results as king, marketing by all*" ("業績為王，全員營銷") have been encouraged and put into practice without changes since then.

As a comprehensive building decoration service provider, the Group has core businesses of building decoration works, electrical and mechanical installation works, curtain wall engineering works and fire safety engineering works, out of which building decoration works have contributed to substantially all of the Group's operating results. Hereby the Group would have the need to point out in specific, the Group was ranked among the first-tier across PRC in the area of medical decoration works, leveraging the edges in the medical decorations. This has also carried a considerable meaning to the results enhancement.

As an enterprise with its headquarters based in Futian, Shenzhen, the Group founded its footing in Shenzhen with its scope of business covering the whole China, of which Southern China takes up the largest share, amounting to over 50%, being followed by Eastern China, Northwestern China, Northern China and central China. Southern China is mainly represented by Guangdong; Eastern China is mainly represented by Jiangsu and Anhui; Northwestern China is mainly represented by Ningxia and Xinjiang; Northern China is mainly represented by Beijing while central China is mainly represented by Hunan and Jiangxi.

In 2017, the Group had consolidated its results mainly through the following measures:

(1) Leverage the edges of the Group platform and integrate the Group's various complementary resources:

Through leveraging the edges of the Group platform, the Group has significantly enhanced capital operation, market reputation, brand building strength as well as the influence of the integrated platform.

(2) Consolidate domestic performance and explore overseas development opportunities:

The Group has adopted steady results development strategies to consolidate domestic performance; the Group has also successfully signed the Cuba's project procurement contract and gradually achieved in the development direction towards "the import and export trade of the building decoration materials as the entry point to gradually achieve the ability in undertaking more ideal projects in the overseas".

(3) Enhance the informatization construction of the internal management:

The Group has introduced the informatization management system with an aim to achieve the seamless bridging between the business and financial information, thereby raising the Group's efficiency at work.

(4) Enhance brand influences:

The Group's representative boutique project "Yitai Tianjiao*"(伊泰•天驕) was rated with the "Luban Award", which has been the highest award in the area of China's construction industry; the trademark "Adway" has become a famous one in Guangdong Province, and as a "National High-Tech Enterprise", the brand value of Adway has been further enhanced.

(5) Implement and execute constantly the development strategies of the integration of financial support services with operating business:

The Group has cooperated with numerous banks and financial institutions, not only safeguarding the safety of the Company's working capital, but also enhancing further the development in integrating capital operation, financial support services and operating business.

3. PROSPECTS AND STRATEGIES IN 2018

In this new era, there will be a new Adway's philosophy, paving for a new journey and thus creating new values.

In 2018, the Group will revolve around the international first-class green decoration service providers in commitment to deepen and expand the Group's direction of development:

(1) "Results as king*" ("業績為王") is a theme that remains unchanged to consolidate the foundation of the results in the tier-I cities, integrate into the economic construction of Guangdong-Hong Kong-Macao Greater Bay Area, and seek for the opportunity to participate in the construction of "Belt and Road Initiatives";

(2) Through the reforms which innovate the operating ideologies and modes, the Group is to seek for the multi-channel strategic cooperation, expand into the new market for achieving new growth, wisely integrate with horizontal cooperative operations as well as creating and enhancing the Group's values;

(3) The Group will strengthen the deepening of the development of the areas of building decoration assembling modes, the intensive procurement platform and the supply chains;

(4) The Group will leverage the edges of the Group platform to the fullest and strengthen the investment and financing development;

(5) The Company's standardized governance will be constantly deepened for the continuous upgrade of execution capacity and firm implementation of works.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our dedicated employees and management team for their commitment, diligence and professionalism. I would like to express my heartfelt thanks to our shareholders and our partners for their continuing support, trust and care for the Group. We will continue to commit to offer international first-class green decoration services through the Group's integrated platform.

Ye Yujing
Chairman

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬), aged 52, 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 has been appointed as the chief executive officer since 10 April 2012 and is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Ye is the husband of Ms. Ye Xiujin, the father of Mr. Ye Guofeng, and the elder brother of Mr. Ye Xian's father. Mr. Ye completed a two-year online 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 Shenzhen Committee, the vice president of the Public Administration Committee and the vice president of Futian Branch of Shenzhen Committee of China Democratic League (中國民主同盟), and the honourable president of the Hong Kong Shanwei Luhe Overseas 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 a 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. Meanwhile, Mr. Ye is appointed as a visiting professor from May 2015 to June 2018 of Jinling College of Nanjing University (南京大學金陵學院). 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.

Mr. LIU Yilun (劉奕倫), aged 45, was appointed as an Executive Director on 19 September 2015. He joined our Company as the general manager of the securities department on 27 April 2015. Mr. Liu is mainly responsible for overseeing our Group's development, strategic planning, positioning and overall operational and risk management. Mr. Liu graduated from Beihang University (北京航空航天大學) with a bachelor's degree in economic management in July 1994 and earned his master's degree in economics from Guangdong Academy of Social Sciences (廣東省社會科學院) in July 2002. He acquired the Securities Qualification Certificate (證券從業資格證書) issued by the Securities Association of China (中國證券業協會) in December 2001. Before joining our Company, Mr. Liu had worked as the general manager of the investment department in Beijing Securities Co. Ltd. Shenzhen Branch* (北京證券有限責任公司深圳業務部) from July 1994 to May 1998 and as the general manager of the securities department in York Point S&T Co., Ltd. Guangdong* (廣東億安科技股份有限公司) (now known as China High-speed Railway Technology Co., Ltd.* (神州高鐵技術股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange with stock code 000008.SZ), from May 1998 to March 2001. Thereafter, Mr. Liu worked as a general manager in Shenzhen Wanlitong Investment Guarantee Company Limited* (深圳市萬利通投資擔保有限公司) from October 2007 to November 2013. He later served as the chief executive officer of Guosen Business Factoring Co., Ltd* (國信商業保理有限公司) from December 2013 to March 2015.

Ms. YE Xiujin (葉秀近), aged 51, was appointed as an Executive Director on 1 July 2008. She 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, the mother of Mr. Ye Guofeng, and the sister-in-law of Mr. Ye Xian's father. 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 30, was appointed as an Executive Director on 30 July 2013. 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 and Ms. Ye Xiujin, and the elder cousin of Mr. Ye Xian. 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 Niangting (葉娘汀), aged 37, was appointed as an Executive Director and a vice president on 22 May 2014 and is primarily responsible for conducting project evaluation for our construction projects and advising on strategic development and corporate governance of our Group. Mr. Ye joined our Company on 14 October 2008 as deputy manager of the operation department, and was promoted to manager of that department in April 2012. From February 2013 to April 2014, Mr. Ye was the manager of division 1 of the operating department of the Company and the general manager of the operation management centre, directly reporting to Mr. Ye Yujing. He also assists Mr. Ye Yujing in our business expansion and operation management and undertakes responsibility in managing our operation management centre. Since joining our Group in October 2008, Mr. Ye has been involved in a number of construction projects in different capacities and has accumulated substantial experience in areas including project development and project evaluation. In respect of project evaluation, Mr. Ye is responsible for the final approval of our project evaluation reports for all of our potential construction projects, after considering opinions from the supervising business manager and our technical department. Mr. Ye graduated from Dalian University of Technology (大連理工大學) majored in civil engineering in July 2009 through online education. Prior to joining our Company, Mr. Ye was a manager of Beijing branch of Shenzhen Bauing Construction Group Co., Ltd.* (深圳市寶鷹建設集團股份有限公司) from October 2005 to October 2008 where he was responsible for business development in Beijing and surrounding regions. Mr. Ye was appointed as a visiting professor of Shanghai Art & Design Academy (上海工藝美術職業學院) in July 2015 for a term of three years. On 31 December 2017, Shenzhen Gongxiangli is owned as to 8.3951% by Mr. Ye who is its limited partner.

Non-executive Director

Mr. TIAN Wen (田文), aged 38, was appointed as a Non-Executive Director of our Company on 12 June 2012 and is mainly responsible for participating in the formulation of our Company's corporate and business strategies. 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 is currently an investment vice president of Shenzhen Co-Win Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司) and a director in Shanghai Neoent Industrial Co., Ltd.* (上海紐恩特實業有限公司), and previously served as a director in Flahalo Innovation Management Company Limited* (風火創意管理股份有限公司).

Independent Non-executive Directors

Mr. WANG Zhaowen (王肇文), aged 71, was appointed as an Independent Non-Executive Director on 31 May 2017. Mr. Wang obtained a bachelor's degree in journalism from Beijing Broadcasting Institute (now known as Communication University of China (中國傳媒大學)) in July 1969. He worked for the political department of Gansu Revolutionary Committee (甘肅省革委會政治部) from August 1970 to August 1971. From August 1971 to August 1991, he worked for Lanzhou Chemical Industry Corporation (蘭州化學工業公司). Thereafter, he worked for Shenzhen Petrochemical Group (深圳市石化集團) from September 1991 to January 1993, Shenzhen Investment Management Co., Ltd. (深圳市投資管理公司) from January 1993 to May 1996, and Shenzhen Energy Group (深圳市能源集團) from May 1996 to October 2007 respectively. He is currently the permanent chairman of the Federation of Shenzhen Industries (深圳工業總會). He has been an independent director of several companies listed on the Shenzhen Stock Exchange, including (1) Shenzhen Hongtao Decoration Co., Ltd. (深圳市洪濤裝飾股份有限公司) (stock code: 002325.SZ) since 2013, (2) Shenzhen Sunshine Laser & Electronics Technology Co., Ltd. (深圳光韻達光電科技股份有限公司) (stock code: 300227.SZ) since 2015 and (3) HL CORP (Shenzhen), Ltd. (深圳信隆健康產業發展股份有限公司) (stock code: 002105.SZ) since 2016 respectively.

Mr. TANG Wai Man Raymond (鄧偉文), aged 69, was appointed as an Independent Non-Executive Director of our Company on 31 May 2017. Mr. Tang obtained a diploma in legal studies from University of Hong Kong and a bachelor degree in Business Administration from the University of Bolton, U.K. in 1995 and 1998 respectively. He is a fellow member of (1) CPA Australia, (2) the Institute of Public Accountants, Australia, (3) the Association of International Accountants, U.K., and (4) the Taxation Institute of Hong Kong and (5) a registered Certified Tax Adviser in Hong Kong. Since 1 April 1994, Mr. Tang has been a managing director of Asia Pacific Financial Consultants Limited and a professional consultant of James T. W. Kong & Co. Certified Public Accountants. Mr. Tang was an independent non-executive director and chairman of the audit committee of Industronics Berhad, a listed company in Malaysia from 19 December 2013 to 9 July 2014. He is a council member of the Taxation Institute of Hong Kong, the chairman of the Greater China Liaison Committee of the Taxation Institute of Hong Kong and an auditor of the Asia-Oceania Tax Consultants' Association.

Mr. LIN Zhiyang (林志揚), aged 62, was appointed as an Independent Non-executive Director on 21 August 2015 and is mainly responsible for supervising and providing independent viewpoint to our Board. 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 business school 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 an independent non-executive director 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, San'an Optoelectronics Co., Ltd* (三安光電股份有限公司)(stock code: 6000703.SH) from November 2007 to November 2013 and Fujian Guanfu Modern Household 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. 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. Mr. Lin is currently acting as an independent director in 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, in Joeone Co., Ltd.* (九牧王股份有限公司) (stock code: 601566.SH), a company listed on the Shanghai Stock Exchange, Luyan Pharmaceutical Holdings Co., Ltd* (鷺燕醫藥股份有限公司) (stock code: 002788.SZ), and Clenergy (Xiamen) Technology Co., Ltd. (清源科技(廈門)股份有限公司) (stock code: 603628). He is also currently a director of Shenzhen Four Seasons Green Garden Co., Ltd.* (深圳市四季青園林股份有限公司) which is a private company and a supervisor in Xiamen Santai Concrete Engineering Co., Ltd.* (廈門三泰混凝土工程有限公司) which is also a private company.

BOARD OF SUPERVISORS

Mr. ZU Li (祖力), aged 58, was appointed as a Supervisor on 31 May 2017. Mr. Zu obtained a bachelor's degree in dyeing works (染化工程) from Zhejiang Silk Textile Institute (浙江絲綢工學院) in July 1985 and worked for Liaoyuan Silk Dyeing and Printing Plant (遼源市絲織印染廠) from August 1985 to December 1987. From January 1988 to December 1990, he worked for Yuanle Plush Company Limited (中外合資源樂毛絨有限公司) as a vice general manager. He worked for Jilin Liaoyuan Textile Bureau (中國吉林省遼源市紡織局) as a chief of sector from January 1991 to April 1992. From May 1992 to May 1997, he was a general manager of Jilin International Economic and Technology Cooperation Company Limited Shenzhen Branch (中國吉林國際經濟技術合作公司深圳分公司). He was a general manager of Shenzhen Hengduo Trading Company Limited (深圳市恆多貿易有限公司) from May 1997 to December 2001 and a general manager of Ruixin Xingye Investment Consultant (Shenzhen) Company Limited (瑞信興業投資諮詢(深圳)有限公司) from January 2002 to the present.

Mr. WU Hanguang (吳漢光), aged 30, was appointed as a Supervisor in June 2012 and is mainly responsible for supervising the operation department and formulating and implementing risk management strategies of our Company. Mr. Wu joined our Company in June 2009 as an officer in the operation department and was promoted as a deputy manager of the same department in April 2012. Mr. Wu graduated from Guangdong Press and Publication Technician College (廣東省新聞出版高級技工學校) with an associate degree of printing graphic information processing in July 2009. Mr. Wu completed 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 Xian (葉縣), aged 25, was appointed as a Supervisor in June 2012 and is mainly responsible for supervising the operation department and ensuring the maintenance and increment of the asset value of our Company. Mr. Ye gained his bachelor's degree in civil engineering from Shenzhen University (深圳大學) in June 2015. Mr. Ye is the son of Mr. Ye Yujing's younger brother, the nephew of Ms. Ye Xiujin, and the younger cousin of Mr. Ye Guofeng.

SENIOR MANAGEMENT

Mr. LIU Yilun (劉奕倫), is a vice president appointed on 21 August 2015 and a joint company secretary appointed on 16 September 2015. For biographical details of Mr. Liu, please refer to the paragraph headed "Executive Directors" above in this section.

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

Mr. YE Niangting (葉娘汀), is a vice president appointed on 22 May 2014. For biographical details of Mr. Ye, please refer to the paragraph headed "Executive Directors" above in this section.

Ms. KOU Yue (寇悅), aged 44, was appointed as a vice president on 21 August 2015, as a joint company secretary and the chief financial officer on 16 September 2015, responsible for the financial management of our Company. Ms. Kou graduated from Tianjin Finance and Economic University (天津財經大學) with a bachelor's degree in international trade in July 1996. Thereafter, she gained a master's degree in banking from City University of Hong Kong (香港城市大學) and a master's degree in accountancy from Chinese University of Hong Kong (香港中文大學) in November 2005 and December 2008, respectively. Ms. Kou is also a member of the Chinese Certified Public Accountant (CICPA), the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Kou has 20 years of working experience in finance and accountancy. She had worked for Tianda Tiancai Company Limited* (天大天財股份有限公司) (now known as Tianjin Xinmao Science and Technology Co., Ltd.* (天津鑫茂科技投資集團), the shares of which are listed on the Shenzhen Stock Exchange with stock code 000836.SZ) as an accountant from September 1996 to September 1999. From September 1999 to October 2002, she had worked in the Assurance & Business Advisory Department of Ernst & Young, Beijing where she was responsible for pre-listing and post-listing annual auditing for companies listed in Hong Kong and the PRC. Ms. Kou then served as the finance manager in China Data Broadcasting Holding Limited (中華數據廣播控股有限公司) (now known as Changhong Jiahua Holdings Limited (長虹佳華控股有限公司), the shares of which are listed on the GEM of the Hong Kong Stock Exchange with stock code 8016.HK) from October 2003 to February 2006 and vice president in KASH Strategic Holding Limited (嘉裕策略有限公司) from February 2006 to July 2006. From August 2006 to September 2007, Ms. Kou had served as an audit supervisor in Zhong Yi (Hong Kong) C.P.A. Company Limited (中逸(香港)會計師事務所有限公司). Thereafter, she worked as a manager for Thomas Lee & Partners Ltd. (瑞信國際有限公司) from October 2007 to May 2011, as a manager for GDTCPA Limited (嘉信會計師事務所有限公司) from June 2011 to January 2013, and as an audit manager in W. L. Ho & Co., CPA (何慧玲會計師事務所) from October 2013 to June 2015. She joined our Company in August 2015.

MARKET REVIEW

Throughout 2017, the national construction industry's total output exceeded RMB21.3 trillion, grew by 10.5% compared to the previous year, according to the report of the National Bureau of Statistics of China, which has still maintained a favorable growth trend.

2017 was a year that China's construction industry underwent transformation. Various measures of reforms, which carry profound influences on the entire construction industry, were launched. Following with the reforms, the construction industry will embrace a fairer and more standardized market environment, which is favorable to professional and developed large-scale corporate performances for their demonstration of stronger competitiveness in the market.

The construction industry is still subject to a low level of informatization, and accordingly, launching new technologies and applying informatization tools would enhance the production efficiency of the enterprises themselves, which is in turn a direction for the enterprises to raise their competitiveness and complete their transformation and upgrading.

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 20 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licences in the building decoration industry.

During the review, the Group showed satisfactory performances in brand-building and business commencement in 2017:

1. The Group's representative boutique project "Yitai Tianjiao*"（伊泰•天驕）was awarded with the "Luban Award", which has been the highest award in the area of China's construction industry;

2. The trademark "Adway" has become a famous one in Guangdong Province, whereas the brand value of Adway has been further enhanced;

3. The Group has undertaken the fine renovation works on Atlantis Sanya, Haitang Bay, Sanya, the world's third Atlantis resort hotel, supporting tourism economy with exquisite decoration craftsmanship;

4. The Group has responded to the national call of "Belt and Road Initiatives" and made a breakthrough in the import and export trade of building materials. It has undertaken the supply of equipment and materials for the project of LABIOFAM biological pharmaceutical factories in Cuba, which has laid the foundation for the expansion into overseas construction works.

With the efforts of the Group, the business scale of the Group has ushered in new growth throughout 2017.

As of 31 December 2017, there are 25 branch offices and representative offices in 19 provinces, autonomous regions and municipalities (throughout 2017, the Group established 2 new branch offices).

During 2017, the Company has established two wholly-owned subsidiaries, namely, Adway Constructional Engineering Design (Shenzhen) Company Limited* (愛得威建築工程設計(深圳)有限公司) (the "Adway Constructional Design") in the PRC and Adway Construction (Hong Kong) Limited (愛得威建設(香港)有限公司) in Hong Kong.

Throughout 2017, the Group has signed 177 new contracts with a value of more than RMB1 million each, 34 contracts with a value of more than RMB10 million each, and 6 contracts with a value of more than RMB50 million each.

Throughout 2017, the Group carried out 382 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB4.9 billion, including 94 projects with a contract value of more than RMB10 million each and 15 projects with a contract value of more than RMB50 million each.

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 EIT rate of 15%. The HNTE Certificate of the Company has been renewed on 15 November 2016, which is valid for three years from 2016 to 2018.

FINANCIAL REVIEW

Revenue and gross profit margin

The Group's revenue decreased by 3.2% from approximately RMB1,728.5 million for the year ended 31 December 2016 to approximately RMB1,672.8 million for the year ended 31 December 2017. The decrease in revenue was mainly because the change from business tax to value-added tax and a decrease in income attributed to mega-scale projects. In 2016, five projects in total were recognized to have income over RMB50 million, with total income amounting to RMB760 million; while only three projects were recognized to have income over RMB50 million in 2017, with total income amounting to RMB390 million. Even though the income from other smaller scale projects increased, it could not compensate the decrease in income recognised from mega-scale projects.

The Group's gross profit increased by 9.5% from approximately RMB204.8 million for the year ended 31 December 2016 to approximately RMB224.2 million for the year ended 31 December 2017. The gross profit margin increased to 13.4% for the year ended 31 December 2017 from 11.8% for the year ended 31 December 2016 due to the Group's enhanced cost control, the full introduction of centralized procurement and the generally higher gross profit from contracts commenced in 2017. Among the projects with top 15 income contributions, the gross profit of most of the projects ranged between 12%-13.5%, indicating an increase comparing to the overall gross profit from last year.

Other income — net

Other income mainly represents income from government grants, subsidies and reimbursements for borrowing cost.

Other income — net increased by 125% from approximately RMB2.4 million for the year ended 31 December 2016 to approximately RMB5.4 million for the year ended 31 December 2017 primarily because of increase in the government grants.

Administrative expenses

The administrative expenses decreased from approximately RMB61.2 million for the year ended 31 December 2016 to approximately RMB54.5 million for the year ended 31 December 2017 mainly because less consulting and professional fees, and no listing expenses were incurred for the year ended 31 December 2017.

Finance costs — net

Finance cost increased by 106.9% from approximately RMB14.4 million for the year ended 31 December 2016 to approximately RMB29.8 million for the year ended 31 December 2017 because of a significant increase in interest expenses along with the increase in bank borrowings from approximately RMB310.0 million for the year ended 31 December 2016 to approximately RMB721.0 million for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by 9.7% from approximately RMB19.6 million for the year ended 31 December 2016 to approximately RMB21.5 million for the year ended 31 December 2017 primarily because of an increase in the provision for tax as a result of the increased profit. The applicable income tax rate maintained at around 15% for the year ended 31 December 2016 to the year ended 31 December 2017.

Profit for the year

Profit for the year increased by 7.6% from approximately RMB107.6 million for the year ended 31 December 2016 to approximately RMB115.8 million for the year ended 31 December 2017. The net profit margin remained stable at 6.9% and 6.2% for the years ended 31 December 2017 and 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2017 and 2016, the Group had cash and cash equivalents of approximately RMB281.8 million and approximately RMB287.6 million, respectively.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business development and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities, interest-bearing bank borrowings and proceeds from placing of new H Shares. The Company has published an announcement regarding the placing of new H Shares under general mandate on 28 November 2017. The Company will issue and allot not more than 10,000,000 additional H Shares (representing not more than approximately 18.95% of the total number of H Shares of the Company as at the date of the announcement) to the placees by way of placement. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, such new H Shares on the Stock Exchange. The proposed placing is subject to all necessary approvals and consents (including the CSRC Approval) having been obtained and not being subsequently cancelled or revoked prior to completion of the proposed placing. The Company will negotiate the placement terms with appropriate placee(s) in relation to the proposed placing. As at the date of this announcement, the proposed placing has not been completed. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

1. Trade receivables and amounts due from customers for contract work

The trade receivables increased from approximately RMB252.5 million as of 31 December 2016 to approximately RMB357.2 million as of 31 December 2017. The trade receivables are the amounts due from customers in the ordinary course of business. Such increase was mainly due to: (1) the two relatively larger projects commenced in 2015 with a total contract amount of RMB173 million had reached the final settlement stage this year. Since the payment term was relatively long, trade receivables increased by approximately RMB29.0 million; (2) the project commenced in the second half of 2017 amounted to approximately RMB50.0 million. Since the payment was delayed, trade receivables increased by approximately RMB17.0 million; (3) income from sales of goods in this year had significantly increased, while the corresponding receivables of approximately RMB25.0 million were not yet settled.

The amounts due from customers for contract work increased from approximately RMB763.7 million as of 31 December 2016 to approximately RMB1,255.3 million as of 31 December 2017. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such increase was because on one hand, the projects with higher contract value signed in 2017 and commenced in late 2017 was at an early stage, while on the other hand, the projects with higher contract value brought forward from 2016 was at the final stage, and according to the normal business cycle, the billing process at the early stage and the final stage was comparatively slower. The combined effects contributed to the extension on the duration mentioned above.

2. Trade and other payables

Trade and other payables increased from approximately RMB417.8 million as of 31 December 2016 to approximately RMB438.5 million as of 31 December 2017 primarily due to an increase in the trade payables because of the practice that our management has been attempting to negotiate with suppliers for a longer settlement term. In order to better manage our working capital, we generally pay our suppliers after we receive payments from our customers. Therefore, the balance of our trade payables moved in line with the amounts due from customers for contract work which increased during 2017.

3. Borrowings

As of 31 December 2017, the Group had borrowings amounting to approximately RMB721.0 million (31 December 2016: approximately RMB310.0 million) which are interest-bearing bank borrowings and repayable within 1 year. For information concerning the Group's pledged asset as of 31 December 2017, please refer to note 28 of the consolidated financial statements.

4. Gearing ratio

The gearing ratio was 33% as at 31 December 2017 while the ratio as at 31 December 2016 was 3%. The increase was mainly attributable to an increase in the bank borrowings from approximately RMB310.0 million for the year ended 31 December 2016 to approximately RMB721.0 million for the year ended 31 December 2017.

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

5. Capital Expenditure

Capital expenditures increased from approximately RMB0.3 million for the year ended 31 December 2016 to approximately RMB11.8 million for the year ended 31 December 2017 primarily because of that the Group have made investments in social housing for talents (人才住房) and motor vehicles to satisfy the needs of the business operations during 2017.

6. Capital Commitments

As at 31 December 2017, the Group had no capital commitment.

7. Contingent Liability

As at 31 December 2017, the Group had no material contingent liabilities.

8. Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

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

USE OF PROCEEDS

The Company's H shares were listed and commenced trading on the Stock Exchange on 25 November 2016, with net proceeds of approximately HK$228.1 million (amounted to approximately RMB203.4 million) after deducting relevant listing expenses. As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus dated 15 November 2016. As at 31 December 2017, approximately RMB112 million have been utilized and the unutilized net proceeds of approximately RMB91.4 million from the Global Offering are deposited in the bank accounts. The break down for the utilized net proceeds ：1）approximately RMB61.74 million was used to establish an internal online supply-chain management platform；2）approximately RMB7.15 million was used to improve and upgrade the Group's internal integrated IT infrastructure for business management； 3) approximately RMB7.09 million was used to strengthen the Group's research and development capabilities and establish a research and development laboratory; 4) approximately RMB11.59 million was used to further expand the geographical coverage of the Group's services and optimise and the Group's branch network; 5) approximately RMB4.87 million was used to upgrade the Group's design system and recruit more design professionals; 6）approximately RMB19.53 million was used for supplementing working capital.

FUTURE DEVELOPMENT PROSPECT AND STRATEGIES

The Group will continue to work on business development in 2018, and the Group believes that the following strategies will help to further enhance its competitiveness and operating results:

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

   The Group expects to set up 5 branch offices nationwide within PRC in 2018, and expand the corporate service coverage as well as achieving the regional growth of business. Meanwhile, the Group will strengthen collaboration through strategic partnership to raise the service quality; the Group will capture more market share from the existing strategic partnerships to achieve sustainable growth in business.

2. **Strengthen centralized purchasing system of raw materials and reduce the costs of materials**

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

3. **Introduce and nurture professional talents and enhance team building**

   The Group will enhance the reserves of various professional talents of the Company through two modes, external recruitment and in-house training. Meanwhile, the Group will enhance in-house training and team building for the provision of better services in favor of business development and production operation of the Group; this will also offer better development opportunities for the talents.

4. **Strengthen its research and development and design capabilities, and improve informatization**

   The Group will strengthen its research and development and design capabilities, improve the Group's informatization, and enhance the production efficiency of the Group with new technologies. The Group has commenced to launch its informatization construction program since 2017, which has achieved effective results. This has improved project management efficiency, which is of great significance to the business development of the Group. Subsequently, the Group will further foster and improve the construction works of informatization. By raising production efficiency and management efficiency, the competitiveness of the Group will be further enhanced.

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company 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 note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the financial information of the Group as at 31 December 2017 are set out in the audited financial statements of this report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2017 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 10 to 14 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 operate, including Guangdong Province, where a majority of the construction projects awarded to the Group were located during the year. The real estate industry and the construction industry are sensitive to economic fluctuations and market uncertainty, and are closely controlled and monitored by the PRC Government through policymaking. The PRC financial market has experienced significant fluctuations in recent months. They cannot assure 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 have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and the Group may be unable to collect payments and recover our costs.

In addition, the Group are 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. During the year, the PRC Government implemented various regulations and policies aimed to cool the real estate market and the inflation of property prices. Various property price control policies have been implemented in recent years, including limitations on the purchase of property outside the city of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. Most recently, Fed (the Federal Reserve Board) has raised the key interest rate in USA and the Group believes that Chinese government will take the similar measures to deleverage. These policies may affect the level of activity in the PRC real estate industry, and in turn affect the number of construction projects available to the Group prices. 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. Management of the Group meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. The risk management objectives and policies of the financial risk are set out in the note 3 to the consolidated financial statement.

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 by reason of their holding the Company's securities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, 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.

EVENT AFTER THE REPORTING PERIOD

There were no significant events affecting the Group that took place from 31 December 2017 to the date of the report.

ENVIRONMENTAL PROTECTION

The environmental protection policy adopted by the Group is set out in the section head "Environmental, Social and Governance Report" on page 36 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, has a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and management are reasonable and competitive in the market and also continue to improve and regularly review and update its policies on remuneration and benefits.

Through the efforts of sales and marketing team, the Group have established solid relationships with many of our long-term customers. During the year, most of our major customers were located in Guangdong. 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. The Group has established long-term relationships with these suppliers.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2017 is as follows:

Class of Shares	Number of shares	Approximate percentage of the total issued share capital
Domestic Shares	158,287,000	75%
H Shares in issue	52,763,000	25%
Total	211,050,000	100%

FINAL DIVIDEND

The Board of the Company has proposed to distribute a final dividend of RMB0.03 (tax inclusive) per ordinary share (2016: nil) for the year ended 31 December 2017 (the "**2017 final dividend**") to all shareholders of the Company. If the proposal is approved at the 2017 Annual General Meeting, the dividend will be distributed on Friday, 3 August 2018 to the shareholders of the domestic shares and H shares whose names appear on the Register of Members of the Company on Friday, 13 July 2018. If there were any changes to the expected date of distribution, an announcement regarding the change would be published. The aforesaid proposed dividend is denominated in RMB, and will be paid to shareholders of the domestic shares and H shares in RMB and HKD respectively. Dividend paid in HKD will be translated based on the average price of the medium prices of the conversion of RMB into HK$ announced by the People's Bank of China within five working days prior to and including the date of declaration of dividend in the Company's 2017 Annual General Meeting (i.e. 8 June 2018).

TAXATION

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members of H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, the enterprise income tax shall be withheld from dividends payable to such shareholders. If holders of H Shares intend to change their shareholder status, they should enquire about the relevant procedures with their agents or trustees. The Company will strictly comply with the laws or the requirements of the relevant government authorities and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members of H Shares as at the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents and residents of the countries which had an agreed tax rate of 10% for the cash dividends paid to them with the PRC under the relevant tax agreements, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which have an agreed tax rate of less than 10% with the PRC under the relevant tax agreements, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld (the "Extra Amount"), the Company can, on behalf of the relevant shareholders, apply for the relevant agreed preferential tax treatment under the tax agreement provided that the relevant shareholders shall submit the evidence required by the notice of the tax agreement to the H Share Registrar within the time limit. The Company will assist with the refund of the Extra Amount after the approval by the competent tax authorities. Should the individual holders of H Shares be residents of the countries which have an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreements, the Company shall, on behalf of the relevant shareholders, withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. In the case that the individual holders of H Shares are residents of the countries which have an agreed tax rate of 20% with the PRC, or which have not entered into any tax agreement with the PRC, or otherwise, the Company shall, on behalf of the relevant shareholders, withhold and pay the individual income tax at a rate of 20%.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the aforesaid annual general meeting, all transfer of shares of the Company, companied by the relevant share certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4：30 p.m. on Tuesday, 8 May 2018, being the business day before the first day of closure of the Register of Members.

The register of members of the Company will be closed from Monday, 9 July 2018 to Friday, 13 July 2018, both days inclusive, during which period no transfer of domestic shares and H shares will be registered. In order to qualify for the final dividend entitlements, shareholders of the Company's H shares must lodge all transfer of shares, accompanied by the relevant share certificates, with the Company's H share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4：30 p.m. on Friday, 6 July 2018.

PUBLIC FLOAT

As at the Latest Practicable Date, 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, PLANT AND EQUIPMENT

For the year ended 31 December 2017, the Group acquired additional property and equipment of approximately RMB12.8 million. Details of the movements are set out in note 15 to the consolidated financial statements.

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

As of the Listing Date to the year ended 31 December 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2017, reserves available for distribution of the Company amounted to RMB45.9 million.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2017 represented approximately 17.2% (31 December 2016: 23.1%) and 30.6% (31 December 2016: 44.3%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 31 December 2017 represented approximately 18.2% (31 December 2016: 18.8%) and 40.5% (31 December 2016: 34.1%), 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

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

Executive Directors

Mr. YE Yujing (葉玉敬先生)
Mr. LIU Yilun (劉奕倫先生)
Ms. YE Xiujin (葉秀近女士)
Mr. YE Guofeng (葉國鋒先生)
Mr. YE Niangting (葉娘汀先生)

Non-Executive Director

Mr. TIAN Wen (田文先生)

Independent Non-Executive Directors

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

BOARD OF SUPERVISORS

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

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 6 to 9 in this annual report.

SHARE TRANSFER IN 2017

On 28 December 2017, our Shareholder of Domestic Shares, Shenzhen Gong Xiang Li (深圳共享利) transferred 2,000,000 Domestic Shares, representing approximately 1.26% of the issued Domestic Shares, and other four Shareholders of Domestic Shares, together transferred 8,000,000 Domestic Shares, representing approximately 5.06% of the issued Domestic Shares to Ningbo Xingwang Yinghua (寧波興旺嬴華). After these transfer of Domestic Shares, Ningbo Xingwang Yinghua is holding 10,000,000 Domestic Shares, representing approximately 6.32% of the issued Domestic Shares of the Company.

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

As at 31 December 2017, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company(1)	Approximate percentage of shareholdings in the total share capital of the Company(2)
YE Yujing (葉玉敬) *(Note 3)*	Beneficial Owner	67,694,000	42.77%	32.07%
	Interest of spouse	15,504,000	9.79%	7.35%
YE Xiujin (葉秀近) *(Note 4)*	Beneficial Owner	15,504,000	9.79%	7.35%
	Interest of spouse	67,694,000	42.77%	32.07%
YE Xian (葉縣) *(Note 5)*	Beneficial Owner	10,336,000	6.53%	4.90%
YE Guofeng (葉國鋒) *(Note 6)*	Interest in a controlled corporation	6,075,000	3.84%	2.88%

Notes:

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

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

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

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

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

6. 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 AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Class of Shares held after the Global Offering	Nature of interest	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of Shares of the Company(1)	Approximate percentage of shareholdings in the total share capital of the Company(2)
YE Yujing (葉玉敬) (Note 3)	Domestic Shares	Beneficial Owner	67,694,000	42.77%	32.07%
		Interest of spouse	15,504,000	9.79%	7.35%
YE Xiujin (葉秀近) (Note 4)	Domestic Shares	Beneficial Owner	15,504,000	9.79%	7.35%
		Interest of spouse	67,694,000	42.77%	32.07%
South China Sea LP (Note 5)	Domestic Shares	Beneficial Owner	17,000,000	10.74%	8.06%
Shenzhen Co-Win Asset (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Shenzhen Co-Win Venture Capital (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Shenzhen Co-Win Jinxiu Asset (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Zheng Wei He (鄭偉鶴) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Huang Li (黃荔) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
Ding Bao Yu (丁寶玉) (Note 5)	Domestic Shares	Interest in a controlled corporation	17,000,000	10.74%	8.06%
YE Xian (葉縣) (Note 6)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.90%
YE Bingquan (葉炳權)	Domestic Shares	Beneficial Owner	10,336,000	6.53%	4.90%
Ningbo Xingwang Yinghua (Note 7)	Domestic Shares	Beneficial Owner	10,000,000	6.32%	4.74%
Shenzhen Qianhai Xingwang Investment Management (Note 7)	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.74%
Shenzhen Qianhai Xingwang Investment Center (Note 7)	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.74%
Xiong Mingwang (Note 7)	Domestic Shares	Interest in a controlled corporation	10,000,000	6.32%	4.74%

Notes:

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

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

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

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

5. South China Sea LP, a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as at 31 December 2017, (i) Shenzhen Co-Win Jinxiu Asset, (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset. Shenzhen Co-Win Asset, a limited liability company established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen CoWin Venture Capital, 15.02% by Zheng Wei He, 14.94%by Huang Li, 10.45% by 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.

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

7. Ningbo Xingwang Yinghua (寧波興旺嬴華), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management (深圳前海興旺投資管理) as at 31 December 2017. Ningbo Xingwang Yinghua is owned as to 31.6% by Bai Xinliang, 15.8% by Cui Hegen, 9.5% by Zhang Yao, 7.9% by Gu Jianfang, 7.9% by Zhou Ying, 7.9% by Wu Mohai, 6.5% by Liu Jun, 6.3% by Gu Bin, 4.7% by Yang Mingjiong, 1.6% by Liu Qian and 0.3% 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 (深圳前海興旺投資中心) 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.

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2017, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS IN THE SUBSCRIPTION OF SHARES AND DEBENTURES

During the year ended 31 December 2017, 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, Supervisor or chief executive of the Company 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 maximum 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 of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2017, the Group entered into transactions with related parties set out in notes 30 to the consolidated financial statements. Some of these related party transactions constituted connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirement thereon.

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.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and five highest paid individuals are set out in Note 8 to the consolidated financial statement.

REMUNERATION POLICY

The Group's Directors, Supervisors and senior management 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 our 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 Group 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 our Directors, Supervisors and senior management and the performance of the Company.

DEED OF NON-COMPETITION

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

NON-COMPETITION

The Group entered into the Deed of Non-Competition with the Controlling Shareholders on 10 April 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 period from 1 January 2017 to the date of the annual report. 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 period from 1 January 2017 to the date of the annual report; 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 period from 1 January 2017 to the date of the annual report.

DIRECTORS' COMPETING INTERESTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDITOR

PricewaterhouseCoopers was appointed by the Directors as the auditor of the Company. PricewaterhouseCoopers will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers.

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, PRC, 23 March 2018

* For identification purpose only

SUPERVISORS' REPORT

The current session the Board of Supervisors consists of three Supervisors (namely Mr. ZU Li (祖力), Mr. WU Hanguang (吳漢光) and Mr. YE Xian (葉縣)).

WORK OF THE BOARD OF SUPERVISORS

During the year ended 31 December 2017, all members of the Board of Supervisors 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 23 March 2018 to consider the 2017 consolidated financial statements of the Group and the report of Supervisory Committee for 2017 and to receive the report on the 2017 results announcement of the Company.

The Supervisory Committee is of the view that since the Listing Date 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 2017 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 2018, 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. ZU Li
Chairman

Shenzhen, PRC, 23 March 2018

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner.

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the period since the Listing Date to the date of this annual report, the Company has fully complied with the Code Provisions, except for the following deviations.

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

According to Code A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company has already bought the relevant insurance to cover the liability insurance for the Directors for the year of 2017 and renewed the insurance on 11 January 2018 to cover the period from 14 November 2017 to 13 November 2018.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance 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 of the date of this annual report, the composition of the Board is as follows:

Executive Directors:	Mr. YE Yujing (葉玉敬先生) Mr. LIU Yilun (劉奕倫先生) Ms. YE Xiujin (葉秀近女士) Mr. YE Guofeng (葉國鋒先生) Mr. YE Niangting (葉娘汀先生)
Non-executive Director:	Mr. TIAN Wen (田文先生)
Independent Non-executive Directors:	Mr. WANG Zhaowen (王肇文先生) Mr. TANG Wai Man Raymond (鄧偉文先生) Mr. LIN Zhiyang (林志揚先生)

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 6 to 9 in the annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors are available on the Company's website.

There is no financial, business or other material/relevant relationships among members of the Board.

The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' 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 is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

On 31 May 2017, the Company, together with its legal advisers, organized training sessions to each of the Directors in relation to continuous responsibilities of Hong Kong listed company and its directors before and after listing. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

	Types of training	
Name of Directors	**Attending in-house training organized by professional organization**	**Reading materials updating on new rules and regulations**
Executive Directors	√	√
Mr. YE Yujing (葉玉敬先生)	√	√
Mr. LIU Yilun (劉奕倫先生)	√	√
Ms. YE Xiujin (葉秀近女士)	√	√
Mr. YE Guofeng (葉國鋒先生)	√	√
Mr. YE Niangting (葉娘汀先生)	√	√
Non-executive Director		
Mr. Tian Wen (田文先生)	√	√
Independent Non-executive Directors		
Mr. WANG Zhaowen (王肇文先生)	√	√
Mr. TANG Wai Man Raymond (鄧偉文先生)	√	√
Mr. LIN Zhiyang (林志揚先生)	√	√

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 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 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.

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 paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. 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.

Our audit committee consists of three members, being Mr. TANG Wai Man Raymond, Mr. WANG Zhaowen and Mr. LIN Zhiyang. Mr. TANG Wai Man Raymond currently serves as the chairman of our audit committee.

Throughout the year 2017, the meetings of the Audit Committee were held on 9 February 2017, 24 March 2017 and 25 August 2017, respectively.

Pursuant to the meeting of the Audit Committee on 23 March 2018, the Audit Committee has reviewed, among other things, the consolidated financial statements of the Group for the year ended 31 December 2017, 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 paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. 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.

Our Remuneration Committee consists of three members, being Mr. WANG Zhaowen, Mr. YE Guofeng and Mr. TANG Wai Man Raymond. Mr. WANG Zhaowen currently serves as the chairman of our Remuneration Committee.

Pursuant to the meetings of the Remuneration Committee on 13 April 2017 and 25 August 2017, the Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of Directors and the senior management for the year ended 31 December 2017 is as follows:

Remuneration band (RMB)	Number of individuals
0–1,000,000	10

Note: The 10 individuals include Mr. YE Yujing, Mr. LIU Yilun, Ms. YE Xiujin, Mr. YE Guofeng, Mr. YE Niangting, Mr. TIAN Wen, Mr. WANG Zhaowen, Mr. TANG Wai Man Raymond, and Mr. LIN Zhiyang as Directors, and Ms. KOU Yue as a member of senior management.

Nomination Committee

The Company has established a Nomination Committee on 21 August 2015 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. 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.

Our Nomination Committee consists of three members, being Mr. LIN Zhiyang, Mr. YE Yujing and Mr. WANG Zhaowen. Mr. LIN Zhiyang currently serves as the chairman of our Nomination Committee.

Pursuant to the meetings of the Nomination Committee on 13 April 2017 and 25 August 2017, the Nomination Committee has reviewed the policy for the nomination of Directors the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

Strategy Committee

The Company has established a Strategy Committee on 21 August 2015 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. 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; and (4) deal with other strategic matters that are authorised by the Board.

Our Strategy Committee consists of five members, being Mr. YE Yujing, Mr. WANG Zhaowen, Mr. LIN Zhiyang, Mr. LIU Yilun and Mr. YE Guofeng. Mr. YE Yujing currently serves as the chairman of our Strategy Committee.

Pursuant to the meetings of the Strategy Committee on 13 April 2017 and 25 August 2017, the Strategy Committee has researched the long-term development and strategic plans of the Company and recommended to the Board the matters that are material to the development of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board developed, reviewed and monitored the Company's corporate governance policies and practices, training and continuous 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' Continuous Training and Professional Development, and Independence of Independent Non-Executive Directors.

Attendance Record of Directors

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed. During the financial year ended 31 December 2017, a total of 16 Board meetings and 1 general meeting, the 2016 Annual General Meeting ("2016 AGM"), were held and the attendance of each Director is set out as follows:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee(Note)**	**Remuneration Committee(Note)**	**Nomination Committee(Note)**	**Strategy Committee(Note)**	**2016 AGM**
Mr. YE Yujing	16/16	N/A	N/A	2/2	2/2	1/1
Mr. LIU Yilun	16/16	N/A	N/A	N/A	2/2	1/1
Ms. YE Xiujin	16/16	N/A	N/A	N/A	N/A	1/1
Mr. YE Guofeng	16/16	N/A	2/2	N/A	2/2	1/1
Mr. YE Niangting	16/16	N/A	N/A	N/A	N/A	1/1
Mr. Tian Wen	16/16	N/A	N/A	N/A	N/A	1/1
※Mr. LI Bingren	5/5	2/2	1/1	1/1	1/1	N/A
※Mr. FUNG Yat Sang	5/5	2/2	1/1	N/A	N/A	N/A
※※Mr. WANG Zhaowen	11/11	1/1	1/1	1/1	1/1	1/1
※※Mr. TANG Wai Man Raymond	11/11	1/1	1/1	N/A	N/A	1/1
Mr. LIN Zhiyang	16/16	3/3	N/A	2/2	2/2	1/1

Notes:

※ Mr. LI Bingren resigned as an independent non-executive director on 31 May 2017.

※ Mr. FUNG Yat Sang resigned as an independent non-executive director on 31 May 2017.

※※ Mr. WANG Zhaowen was appointed as an independent non-executive director on 31 May 2017.

※※ Mr. TANG Wai Man Raymond was appointed as an independent non-executive director on 31 May 2017.

Board Proceedings

Meetings of the Board of Directors shall be held regularly at least four times every year and shall be convened by the chairman of the Board of Directors. Directors shall be notified ten days before the date of the meeting. 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 of Directors 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. During the year ended 31 December 2017 there were sixteen Board meetings held and all Directors attended the meetings that they were required to attend.

Board of Supervisors

The Board of Supervisors consists of three Supervisors and the non-employee representative Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Board of Supervisors 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 Company's financial information; monitoring the financial activities of the Company, 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 as the Company's code of conduct regarding Directors' and supervisors' securities transactions on terms or less exactly than the requested standard set out in the Model Code. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this report.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

COMPANY SECRETARY

The Group has appointed Ms. KOU Yue and Mr. LIU Yilun as our joint company secretaries. Both Ms. KOU Yue and Mr. LIU Yilun were appointed as the joint company secretaries of the Board of Directors since September 2015. Please refer to the paragraphs headed "Directors, Supervisors and Senior Management — Senior Management" for further details on Ms. KOU's biography. Mr. LIU, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Ms. KOU, who possesses such qualifications, to be a joint company secretary of our Company. Please refer to the paragraph headed "Directors, Supervisors and Senior Management — Joint Company Secretaries" for further details on Mr. LIU's biography.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

(a) Ms. KOU, one of our joint company secretaries who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Mr. LIU so as to enable him to acquire the requisite knowledge and experience in order to discharge his duties and responsibilities as a company secretary of our Company. Given Ms. KOU's relevant experience, she will be able to advise both Mr. LIU and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Mr. LIU, one of our joint company secretaries, will be assisted and supported by Ms. KOU for a period of three years commencing from the Listing Date. Upon expiry of the three year period, a further evaluation of the qualifications and experience of Mr. LIU and the need for on-going assistance would be made;

(c) Our Company will ensure that Mr. LIU has access to the relevant trainings and support to enable him to familiarise himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. LIU has undertaken to attend such trainings;

(d) Ms. KOU will communicate with Mr. LIU on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. KOU will work closely with, and provide assistance to Mr. LIU with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organising the Board meetings and Shareholders' meetings of our Company;

(e) Mr. LIU will also be assisted by the compliance adviser and the Hong Kong legal advisers of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our Company's on-going compliance obligations under the Listing Rules and the applicable laws and regulations; and

(f) Pursuant to Rule 3.29 of the Listing Rules, Mr. LIU and Ms. KOU will also attend in each financial year no less than 15 hours of relevant profession training courses to familiarise themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Mr. LIU and Ms. KOU will be advised by the legal advisors as to Hong Kong law and the compliance adviser as and when required.

The Group has applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules in respect of the appointment of Mr. LIU as one of the joint company secretaries of our Company, which is valid for an initial period of three years commencing from the Listing Date. Upon expiry of the initial three-year period, our Company will evaluate the qualifications and experience of Mr. LIU. Upon the determination of our Company that no on-going assistance is necessary, the Group will demonstrate to the Stock Exchange that, with the assistance of Ms. KOU over such three-year period, Mr. LIU has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

The Company confirms that Mr. LIU Yilun and Ms. KOU Yue have for the year of 2017 complied with Rule 3.29 of the Listing Rules and attend no less than 15 hours of relevant professional training.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's 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 Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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. The Board considers that the Company has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern. The responsibilities of PricewaterhouseCoopers, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal controls and risk management

The Board recognises its responsibility to ensure the Group maintains a sound and effective internal control system and risk management, the Board has conducted a review of the effectiveness of the internal control system and risk management of the Group during the year. The Group's internal control and risk management systems is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Company's internal control and risk management systems are reasonably implemented and considered them efficient and adequate.

External Auditor

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of the external auditor.

For the year ended 31 December 2017, the fees paid and payable to PricewaterhouseCoopers in respect of its review on the interim financial information and annual audit services provided to the Company was approximately RMB2.4 million. The fees paid and payable to PricewaterhouseCoopers in respect of its non-audit services provided to the Company was approximately RMB0.3 million.

There was no disagreement between the Board and the Audit Committee on the election and appointment of the external auditor during the year under review.

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 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 at the Company's principal place of business in Hong Kong at Suite 2203, Level 22 Office Tower, Langham Place, 8 Argyle Street, Mong Kok, 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 share registrars in Hong Kong 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).

According to article 8.5 of the Articles of Association, when the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five days before the date of the meeting (including the date of the meeting but excluding the date on which the written notice is sent) to notify all shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting twenty days before the date of the meeting.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.aidewei.cn.

Constitutional Documents

During the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

This is the first environmental, social and governance report released by the Group pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") provided in Appendix 27 to the Listing Rules on the Stock Exchange, which sets out the Company's policies and practices in three aspects namely environmental protection, working environment, and community involvement for the year ended 31 December 2017.

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 Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境雜訊污染防治法》) and the Standards for Indoor Environmental Pollution Control of Civil Building Engineering (《民用建築工程室內環境污染控制規範》).

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 Track Record Period and the cost of such compliance is not expected to be material going forward.

WORKING ENVIRONMENT

Employees

The Group believes that its long-term growth depends on the expertise, experience and development of its employees. The salaries and benefits of the Group's employees depend primarily on their type of work, position, length of service with the Group and local market conditions. In order to improve the Group's employees' skills and technical expertise, the Group provides regular training to the Group's employees.

The Group mainly recruits through recruitment fairs and on-campus recruitment. As at 31 December 2017, the Group had total of 339 employees. The following table provides a breakdown of the Group's employees by function:

Function	Number of employees
Administration and management	47
Project management	137
Design	23
Research and development	21
Technical support	5
Procurement	10
Sales and marketing	61
Accounting and finance	35
Total	339

The Group has a labor 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.

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

The Group is committed to fulfilling the corporate social responsibility and has continued to dedicate the internal resources to charitable activities. During the year ended 31 December 2017, the Group (1) donated RMB50,000 to the Charity Association set up by the Chinese People's Political Consultative Conference in Luhe County, Guangdong Province and (2) donated RMB30,000 to build up a recreation center for senior citizens in Heping County, Guangdong Province and (3) contributed 200 books to Welfare Lottery center in Futian district, Shenzhen, Guangdong Province (in 2016: RMB5,000 and HK$1 million donations for the charity purpose in Mainland China and Hong Kong respectively).

I. ABOUT THIS REPORT

Introduction to the Report

This report is the second "Environmental, Social and Governance Report" (hereinafter referred to as "ESG Report") issued by the Group. On top of the ESG report 2016, the Group hopes to further improve the quality of the reporting and comprehensively and objectively disclose the Group's work done and performances in fulfiling its environmental and social responsibility in 2017. The purposes of this report is to meet the updated regulatory requirements and to meet the expectations of stakeholders and the public on acquiring increasingly public environmental, social and governance information.

Reporting Scope

This report covers the period from 1 January 2017 to 31 December 2017. Certain contents can be traced back to previous years. The report focuses on the core business of the Group and its directly related subsidiaries in Mainland China, which is the same with the scope of reporting of 2016. In 2017, the Group disclosed the environmental KPIs for the first time. The data collected from the headquarters of the Group and the major construction projects in 2017. The scope is detailed in this Report.

Reporting Standards

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. The final chapter of this report contains a complete content index for quick reference of the ESG Guide for the readers.

Source of Reporting Data

Sources of the data in this report are Adway's internal documents and internal statistics.

II. THE GROUP'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY

Adhering to the corporate vision of "Independent innovation, Establish a brand, and Become a leader in architectural decoration industry", the Group actively practices a sustainable development model. As a corporate citizen shouldering environmental and social responsibility, the Group strictly abides by relevant laws and regulations of the State, actively responds to the policy orientations of the State, promotes the concept of green and environmental-friendly operations, guarantees excellent quality of products and services, maintains efficient and transparent corporate governance. The Group invests resources to engage in community construction in an effort to achieving the coordinated development of economic, environmental and social benefits.

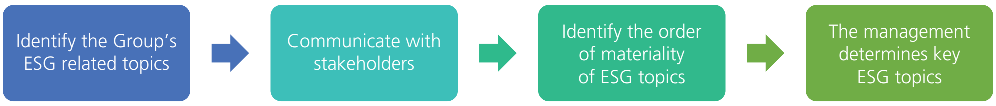
The Group understands that the support from and participation of its stakeholders is the basis of sustainable development, and communicates with its stakeholders via various channels regularly, to fully discuss the environmental, social and governance topics that they are concerned with. This helps the Group to review its sustainable development performance, and to identify and assess relevant risks and opportunities in a timely manner, then to continuously create value for its stakeholders.

The Board of Directors of the Group plans the environmental, social and governance work of the Group as a whole, and is responsible for formulating and reviewing the strategies, objectives and systems relating to environmental, social and governance; and provides guidance and exercises supervision during the implementation of such strategies and systems. The Group will continue to improve its management hierarchy and reporting mechanism relating to the environmental, social and governance work to fully convey and implement relevant work plans and objectives to realize the Group's belief and vision for sustainable development.

III. STAKEHOLDER ENGAGEMENT AND ESG TOPICS MATERIALITY ASSESSMENT

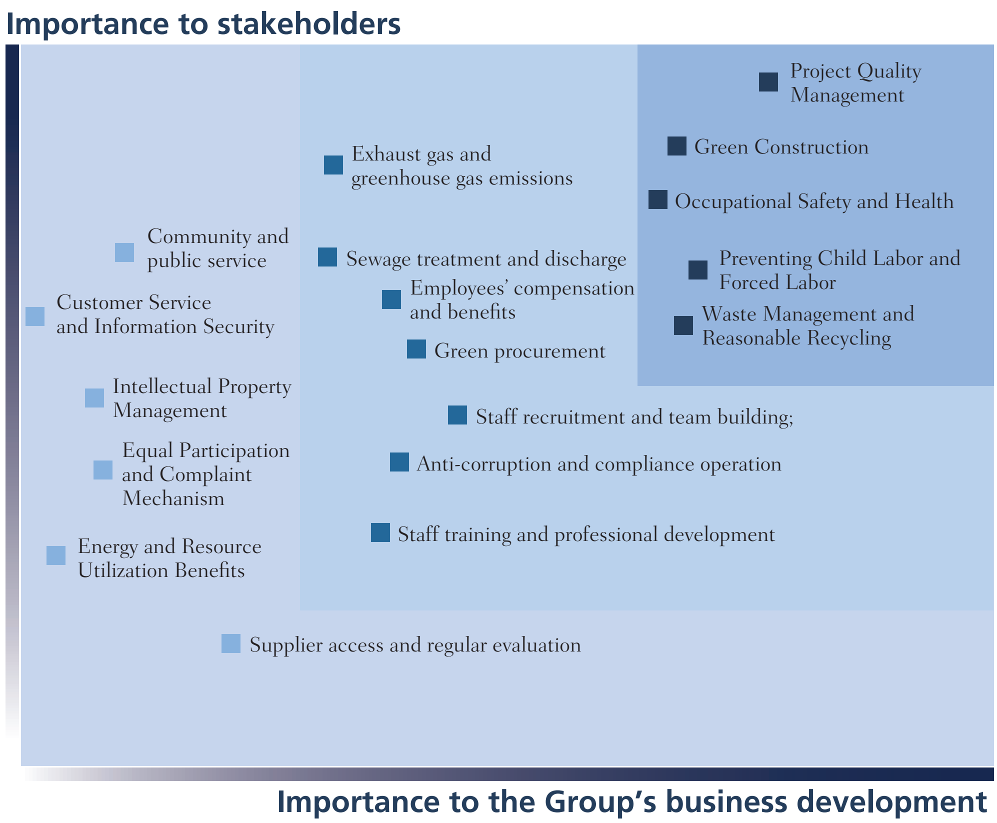
The Group attaches great importance to the participation of stakeholders, actively obtains and promptly responds to the views and expectations of the stakeholders through efficient communication mechanism, and hence maintain the close relationship with mutual assistance and mutual trust, and jointly build a sustainable future.

In 2017, in order to fully review the priority of the Group's ESG work, and understand the views of stakeholders through communication, the Group appointed an independent consulting agency to chair the assessment of the materiality of ESG topics during the preparatory phase of this Report. The main steps of the work are as follows:



With the assistance of the independent consulting agency, the Group has proposed a total of 18 environmental, social and governance topics based on the environmental and social impact of its business operations, covering four major areas, namely environmental protection, employment and labour practices, operating practices, and community investment. The consulting agency assesses the materiality of each topic on a combined basis from the perspective of the importance of an issue on stakeholders and on the company business development by communicating with stakeholders. The Group's management finalizes the priorities of the proposed topics in line with the corporate development strategy.

The materiality matrix of the Group's ESG topics of 2017 is as follows:



The results of assessment show that the key topics are concentrated on such areas as project quality, green construction, occupational safety and labor rights and interests. As an architectural ornament service provider, the Group regards the above-mentioned topics as the top management and control objectives; meanwhile, the Group attaches much importance to talent team building, supply chain management, service quality and community development in order to realize the coordinated growth of the corporate economic, environmental and social values. This report will elaborate on the Group's management of various ESG topics in 2017.

Looking ahead into 2018, the Group will formulate the ESG plans and objectives of the year based on the results of this materiality assessment. Meanwhile, the Group will maintain close communication with its stakeholders, conduct regular exchanges on the work in ESG field, discuss the ESG-related risks and challenges faced by the Group, review and improve ESG related management systems in a timely manner, and continuously optimize the effectiveness of ESG management.

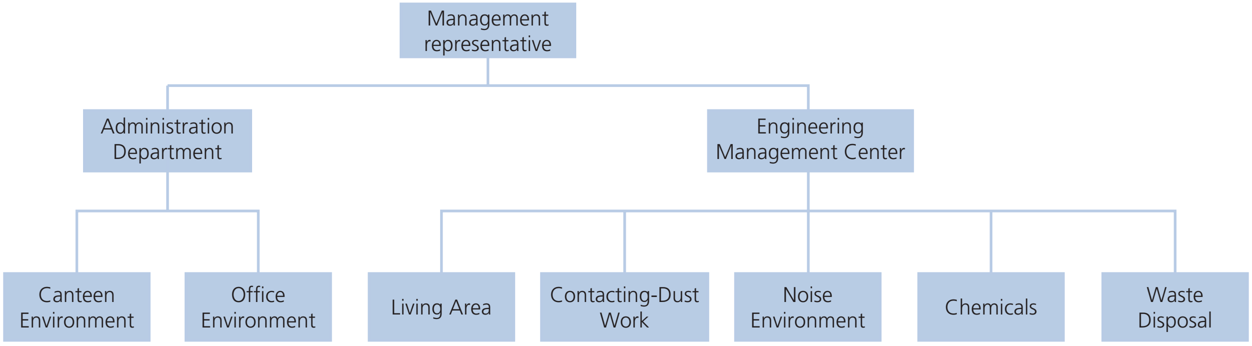
IV. ENVIRONMENTAL RESPONSIBILITY

The Group understands that business development builds upon the sustainable management of natural resources. In order to fulfill its environmental responsibility, the Group strictly abides by environmental protection laws and regulations, actively improves its environmental management system, strives to reduce the environmental impact and ecological footprint of its own business, and continuously enhances the environmental benefits of its operations.

The Group has established an organizational structure and reporting mechanism in respect of environmental management. The Administrative Department and Project Management Center are responsible for the environmental management issues of the office area and construction projects, respectively. The designated persons in charge of environmental management are appointed at the headquarters and in each project to supervise the implementation of environmental protection goals and measures, who shall regularly report the progress of such goals and measures and their effectiveness to the Group's management.

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. The Group adheres to the principle of "green construction" and continuously improves its environmental management system to ensure compliance with legal requirements and the expectations of its stakeholders.

The Group's environmental management organization structure is as follows:



1. Emission management

1) Management of construction emissions

The Group strictly abides by relevant laws and regulations concerning environmental management and develops specific measures for noise, dust, construction waste and other major emissions in the course of construction of projects, to reduce the environmental impact of projects. Noise management: The Group stipulates that construction period is 8:00-18:00 on working days; if there is a need for nighttime operation, the construction team must report to the competent administrative authority and the community and obtain the nighttime construction permit in advance. For noisy machines, the construction team shall install noise barriers and regularly monitor the noise in order to reduce noise pollution.


环境管理体系认证证书

Figure 1: Adway Environmental Management System Certification Certificate

Dust prevention: The construction team shall in accordance with relevant regulations take measures to sprinkle water at the construction site, cover the transportation vehicles with protective tarpaulin, rinse them to reduce sediment before they leave the site, and control dust pollution.

Waste management: Each project carries out classified collection and disposal of wastes. Recyclable metal waste will be recycled; general construction waste will be collected in strict accordance with the regulations of local city appearance management; a small amount of chemical hazardous waste generated is sent to a qualified professional company for removal and treatment, to protect the natural environment.

Exhaust gas and greenhouse gas management: In case of equal product and service quality, the Group will prefer purchasing from suppliers near the project to reduce exhaust gas and greenhouse gas emissions during transportation.

2) Management of office waste

The Group has formulated a number of policies, including the "Company Appearance Management System" and "Administrative Measures for Office Equipment and Supplies", which clearly stipulate the treatment processes and division of responsibilities for various types of wastes in the office area to ensure the compliance disposal of wastes and prevent potential environmental pollution. Meanwhile, the Group actively explores the possibility of resource recycling to reduce the production of solid waste.

The Group strictly follows the relevant provisions in the "Regulations for the Management of Fixed Assets" in approval of retiring the used computers and other discarded electronic devices. Professional suppliers will process unrecyclable computers after the scraped approval.

General office wastes are subject to classified collection and daily removal. Recyclable newspapers and aluminum cans handed over to a recycling station for centralized disposal. Other general wastes collected and removed by the sanitation station.

2. Resource consumption and environmental benefits

1) Project energy and resource consumption

The Group minimizes the usage of energy and resources during the construction process, actively responds to the State's call for "building a green ecological civilization" and establishes the environment-friendly corporate image.

In accordance with the environmental management system regulations, the Group develops project environmental management plans and strictly controls project energy consumption and project material budgets. During the construction process, it closely monitors the use of water, electricity and materials, and periodically compares the difference between actual usage and budget plans, identifies abnormal consumption and waste in a timely manner to reduce the environmental impact of the project.

According to the characteristics of a project, the Group actively carries out themed training on environmental protection to convey the Group's environmental management requirements to the project workers and logistics personnel, and shares energy-saving and water-saving measures to raise awareness of energy conservation and environmental protection with all employees.

2) Green office

Green office is an important part of the Group's environmental strategy. Through the introduction of the 6S system for office environment management, the Group has established a management system aiming at the six cores such as SEIRI, SEITON, SEISO, SEIKETSU, SHITSUKE and SAFETY. It has formulated and strictly implemented energy conservation and consumption reduction plans for the office, and is committed to maintaining the quality of the office environment and upgrading all employees' green environment awareness.

The Group actively introduces energy-saving equipment, installs LED energy-saving lamps in office areas, and prefers energy-efficient computers, televisions and other electronic products. The Group strictly controls the use of power-consuming equipment, and ask the staff to turn off lights during lunch breaks, and turn off computers and air conditioners when employees leave the office. The commissioner from the Administration Department conducts floor inspections after work and gives warnings to departments that fails to turn off the power and shut down air conditioners in a timely manner, so that all departments and employees would pay more attention in this regard, thereby reducing the energy waste of the Group.

The Group vigorously promotes "paperless" office work and uses online office platforms to reduce the consumption of paper and other related resources. The Group strictly controls the use of office paper, implements the system of application for office paper, and sets the print permission and upper limitation. The Group's Administration Department analyzes the print usage of each department on a monthly basis. If it finds out that the number of prints is abnormal, the investigation will be conducted in a timely manner to determine the cause and rectification plan, to avoid waste of paper, save the Group's operating costs and reduce the consumption of natural resources.

The Group attaches great importance to nurturing employees' environmental protection concepts, regularly provides trainings related to environmental management to disseminate environmental protection knowledge. Meanwhile, notices are posted at the water and power supply points in office to remind employees to save resources; employees are encouraged to take public transportation to travel and practice a green and environmental-friendly working and life style.

3. Key Environmental Performance Indicators for 2017

The Group discloses the key environmental performance indicators for 2017 as follows:

Key Performance Indicators	Unit	Use/emissions for 2017
Sulphur oxides	Kg	0.31
Nitrogen oxides	Kg	14.38
Particulate Matter	Kg	1.06
Greenhouse gas emissions (Scope 1)	Ton CO_2e	59.31
Greenhouse gas emissions (Scope 2)	Ton CO_2e	5,113.31
Greenhouse gas emissions in total (Scope 1+Scope 2)	Ton CO_2e	5,172.62
Hazardous wastes	Ton	0.004
Non-hazardous waste	Ton	2,517.93
Metal waste (recyclable)	Ton	258.30
Petrol	Liter	15,944.45
Diesel	Liter	4,722.62
Direct energy consumption	GJ	727.25
Electricity	kWh	5,809,389.00
Indirect energy consumption	GJ	20,913.80
Total energy consumption	GJ	21,641.05
Energy consumption intensity	GJ/RMB ten thousand revenue	0.25
Water consumption	m^3	163,783.00
Water consumption intensity	m^3/RMB ten thousand revenue	1.89

Remarks

1) All the data in the above list generated during the period from 1 January 2017 to 31 December 2017.

   The environmental data collection scope includes the Group's headquarters office area in Shenzhen and 281 projects under construction in 2017 (The income of projects exceeds 50% of the Group's total project revenue this year). The Group will extend the environmental data collection scope to enhance environmental performance management and promoting the quality of the report continually.

2) Emissions are from petrol and diesel consumption of Group's official vehicles. Greenhouse gas emissions (Scope 1) derived from the consumption of petrol, diesel and liquefied petroleum gas. Greenhouse gas emissions (Scope 2) resulting from purchased electricity. The correlation emission factor please refer to "ESG Environmental Data Reporting Guidelines" released by the Hong Kong Stock Exchange, and Greenhouse gas emission coefficient from purchased electricity please refer to "2015 China Regional Grid Baseline Emission Factor" published by National Development and Reform Commission.

3) The energy consumption coefficient please refer to "GB2859-2008T General Principles for Calculation of Total Production Energy Consumption".

V. EMPLOYMENT MANAGEMENT

Establishing an excellent talent team is the key to achieving sustainable development. The Group adheres to the talent management concept of "people-oriented, and recruiting more capable talents", and strictly abides by the *Labor Law of the People's Republic of China* and other laws and regulations. The Group has established a clear employment management policy, strived to create an equal and just platform of career development for employees and to achieve a benign cycle between employees' personal growth and enterprise development.

1. Talent recruitment and cultivation

Each year, the Group's Personnel Department formulates the "Annual Recruitment Plan" based on job needs and vacancy, adhering to the principle of fair competition to recruit talents through multiple channels such as social recruitment, campus recruitment, and internal referral to ensure that the human resources meet the Group's strategic development needs.

The Group understands that the growth of its employees is the driving force of its development. Taking improving work ability as the core and promoting employee development as the goal, the Group established a training system consisting of induction training, on-the-job training, and continuing education, which provide resource guarantees for cultivation of talent team and help the Group to realize its strategic goals gradually.

1) Induction training: The training content mainly includes the introduction of corporate culture, regulatory framework, daily code of conduct preaching; assisting new employees to adapt to their positions as soon as possible and integrating into the working atmosphere of the Group.

2) Pre-job training: Functional departments are responsible for explaining job responsibilities and workflows to new employees and helping him/her quickly grasp the job knowledge and routine work skills.

3) Continuing education: Providing diversified systematic trainings for on-the-job employees, with a focus on professional knowledge, management capabilities, and communication skills, to improve the professional capability of employees continuously, ensuring their comprehensive capabilities can meet business development needs, and promoting the long-term development of the talent team.

The Group's Personnel Department is responsible for coordinating training management, strictly assessing the attendance rate of employees, and supervising the training process to ensure the effectiveness of training. The Personnel Department grants ratings to training courses based on a comprehensive consideration of training attendance rate, courseware excellence grade, and the effectiveness of training. Training incentive subsidies were given to departments that organized excellent courses, to mobilize their enthusiasm and promote the continuous improvement of the quality of the training course.

Photo 2: New employee induction training in 2017

Photo 3: Employee training in 2017

2. Performance appraisal and promotion

Well-developed performance appraisal and promotion mechanism is an important way to stabilize the talent team.

The Group adheres to the appraisal principle of "fairness, impartiality and openness" and adopts a combination of superior rating and quantitative appraisal to evaluate the performance of employees' work comprehensively, which will be a reference for determining employees' entitlement to promotion and bonuses to motivate employees effectively. Meanwhile, the Group regards the performance appraisal as one of the important communicative means between the management and employees, emphasizing the guidance and support of supervisors for employees, their role in promoting employees' professional skill and specialty accomplishment, and helping the team to perform best.

The Group provides clear career development channels for its employees, maintains equal and fair promotion environment, conducts promotion assessments in accordance with the "Administrative Measures for Promotion" and continues to improve the construction of the talent team. The Group has established vertical and horizontal promotion paths, and effectively deployed the talents within the Group based on job requirements and personal development aspirations, supporting the multi-channel and all-round development of employees.

3. Remuneration and benefits

The Group provides the market-competitive compensation and benefit system. Employee compensation consists of three elements: salary, flexible salary, and benefit subsidies. Among them, the flexible salary includes performance-based bonuses, project bonuses and year-end bonuses, which fully reflects the Group's affirmation of employees' hard work. The Group conducts pay adjustments annually based on the Company's performance, changes in price level, surveys on the prevailing remuneration packages in the industry, and assessments of a particular employee's performance. Meanwhile, the Group conducts special salary adjustments to employees who make outstanding contributions, to motivate employees to develop their personal potential continuously.

In addition to salary rewards, the Group has established a comprehensive benefit system to demonstrate its care to employees. The Group make contribution to endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance as well as Housing Provident Fund for employees according to law and ensures that employees enjoy national holidays, public holidays, marriage and maternity leave. Meanwhile, employees also enjoy many benefits such as annual leave, annual health check-up, holiday gifts, and sick sympathy. In 2017, the Group organized badminton activities weekly, and organized outings and outward-bound activities for employees on many occasions to encourage employees to balance work and life, promote team communication and understanding, and enhance the spirit of solidarity and cooperation.

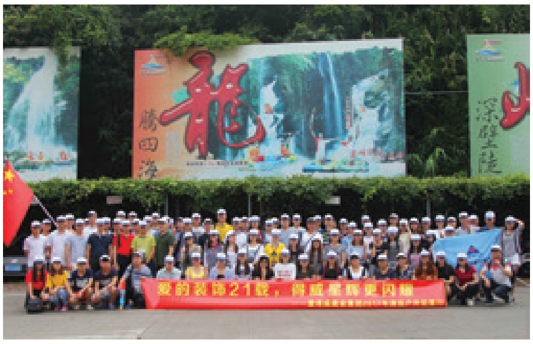


Photo 4: Qingyuan outward-bound activity in 2017

4. Equal participation and grievance mechanism

The Group follows a corporate culture of equality, voluntariness, consensus, honesty and trustworthiness, and guarantees that employees enjoy equal employment opportunities and benefit policies regardless of gender, age, nationality, ethnicity, religious beliefs, etc., strictly prohibits any form of discrimination, and strives to create a work atmosphere of equality and harmony.

The Group pays attention to listening to employees' opinions. In the event of unfair treatment or potential violations of the employee's code, the employee may file a complaint or report to the department head, and if necessary, may complaint to the superior of his/her immediate superior. After receiving the complaint, the department head must verify the authenticity of the complaint, promptly conduct an investigation, inform relevant employee regarding the results of the investigation, and take appropriate measures based on the investigation results. The Group strictly keeps confidential the reporting employee's information and effectively safeguard employees' rights and the Group's reputation.

5. Labor rights

The Group strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law, and the employment regulations and policies governing the location of the business, signs labor contracts with employees to protect their labor rights, and strictly prohibits child labor and forced labor.

The Group implements a five-day work system and enforces a strict overtime-work management system to protect employees' reasonable rest and promote maintaining work-life balance. For employees who work overtime, the Group will arrange a rest or give overtime subsidies to protect the legitimate rights and interests of employees effectively.

VI. OCCUPATIONAL SAFETY AND HEALTH

1. Occupational safety of employees

The Group strictly abides by the Production Safety Law of the People's Republic of China, the Regulations on Safe Production Management of Construction Projects, and other laws and regulations. The Group develops annual safety management plan and targets, fully implements the "Safety Management System" and safety guidelines, and conducts regular safety inspections. Responsibility and rewards and penalties mechanism has been introduced, in order to continuously improve the level of safety management, and eliminate safe production accidents.

The Group fully implements the safety management responsibility system. The Engineering Department is responsible for the overall safety management work. The meeting of project safety management has been held regularly to assess the safety management status of a project. Meanwhile, the department carries out monthly safety inspection for the projects. If any safety problems or safety risk is found through an inspection, rectification will be carried out for the project. The rectification situation will be supervised and reviewed, to reduce the possibility of safety accidents.

The Group attaches great importance to safety training and communication. The Group has set up a three-level safety training system covering headquarters, project department, and project teams, and conducts targeted training activities to ensure that personnel at all levels continue to improve their safety management capabilities and self-protection awareness. The main content of training for each level includes:

Group	• Basic safety knowledge, regulations, legal education and training
Project department	• On-site rules and regulations and compliance education
Team	• Safe operation and team safety system and discipline education for this type of work • Safety education and training for special work (such as electrician, welder)

In 2017, the Group launched monthly special security training activities. A series of themed training activities was carried out for project management personnel, construction workers, and all employees to meet the safety knowledge and skills needs of different groups. The Group's employee safety training coverage reached 100%.

According to the law on production safety, the Group fully evaluated the safety risk in the construction process and prepared a "Safety Emergency Plan". The Group set up a safety emergency management team, and organized emergency drills on a regular basis to ensure that employees can carry out rescue operations in an efficient and orderly manner to reduce the harm of the accident. In August 2017, the refined renovation project department of Shenzhen Airport's T3 terminal supporting-hotel organized a fire fighting drills to enhance employees' fire escape capabilities.

Photo 5: Fire safety training in 2017


Photo 6: On-site firefighting drill in 2017

The design and construction, and professional contracting of mechanical and electrical equipment safety engineering of the Group's building renovation works, as well as related management activities have passed the OHSAS 18001:2007 Occupational Health and Safety Management System certification. In strict accordance with the requirements of the system standards, the Group regularly inspected and revised documents of safety management system, supervised and rectified non-compliances, and continuously improved production safety conditions to promote the occupational safety and health management of the Group continually.

Labor subcontractor safety management

The Group attaches great importance to the safety and health management of the workers of projects under construction. The management personnel of Engineering Department and Project Department are responsible for implementing the labor protection, occupational health, and production safety laws and regulations, and protecting the occupational health and safety of the construction workers.

According to job characteristics, the Group has developed guidelines and operating procedures for safe work, provided appropriate protective products and regularly monitored the use of protective products. The Group requires workers at specific positions to receive professional training and pass relevant qualification tests to obtain qualifications for employment.

Photo 7: Adway Occupational Health and Safety Management System certification

2. Physical and mental health of employees

The Group pays attention to the physical and mental health of employees and strives to create a healthy and comfortable working environment for employees. An emergency medicine kit is available at the Group's Administration Department, providing employees with commonly-used medicine. There is a staff canteen at the Group headquarter, safeguarding the health of employees with safe and healthy food.

In August 2017, the Group hired external psychologists to provide mental health training for all employees, analyze the common psychological issues and offer countermeasures in the workplace, help employees to relieve pressure in the workplace, prevent mental illness, and achieve healthy living and happy work.

VII. SUPPLY CHAIN MANAGEMENT

The Group understands that project quality depends on the supply of quality materials and services, and has formulated and implemented the Supplier Management System, and set up a supplier assessment team consisting of multiple departments such as procurement department and project management department to implement the supplier assessment criteria effectively. Meanwhile, the Group pays attention to the communication with suppliers, and strives to maintain a mutually beneficial and friendly cooperative relationship and work together to achieve mutual development.

1. Selection and approval of suppliers

The Group's Procurement Department conducts a preliminary selection of suppliers based on the project needs, focusing on reviewing a supplier's product quality, delivery cycle and related qualifications, and categorizes the approved suppliers into the "List of Potential Suppliers". The supplier assessment team conducts a comprehensive assessment of potential suppliers. Qualified suppliers can be included in the supplier database.

2. Periodic assessment of suppliers

The Group conducts quarterly and annual assessments of major suppliers, focusing on the performance of suppliers in seven aspects such as compliance capabilities, quality, pre-sales and after-sales services. According to the results of the ratings, suppliers divided into four levels are managed hierarchically. The Group considers establishing long-term partnerships with excellent suppliers and gradually eliminates unqualified suppliers to ensure that the Group purchases high-quality products.

3. Sustainability of supply chain

The Group's Procurement Department and Engineering Department regularly select suppliers to conduct on-site inspections. While assessing product quality, the Group also assesses suppliers' performance in the areas of environment, employee safety and health, labor rights, and related system construction. The on-site inspection results serve as an important reference for comprehensive supplier assessment.

By integrating the concept of fulfilling environmental and social responsibility into the supplier assessment process, the Group has enhanced the environmental and social risk management of the supply chain. Meanwhile, it has publicized and promoted the sustainable operation model to suppliers and promoted the sustainable development of the supply chain.

VIII. PRODUCT RESPONSIBILITY

1. Project quality management

Project quality management is a core element of corporate development and the Group strictly abides by laws, regulations and contractual terms related to it. Over the years, the Group has continuously improved the project-quality management mechanism, designating the responsibility of a particular entity for the quality inspection and supervision, and implemented rewards and penalties according to the inspection results. The Group is committed to drive its business development, enhance its reputation and create long-term value for customers by delivering high-quality projects.

The Group adopts a policy that the project manager is responsible for coordinating project quality management, setting project quality policies and objectives, conducting quality assessments on a case-by-case basis, organizing concealed project acceptance inspection, and participating in project completion pre-check and project acceptance inspection. Meanwhile, the project manager carries out quality training for all project staff, promotes internal experience exchange, and urges employees to acquire quality standards and enhance quality awareness.

The Group establishes a model system and adheres to the model as the reference standard for product acceptance. The Engineering Department strictly follows the design specifications and quality specifications required by different processes to make prototypes, and performs rework processing for products that cannot meet the quality requirements on the prototypes during construction, and submits prototypes for repeated acceptance inspection after rework processing, until they are qualified for acceptance, which effectively guarantees the quality of a project.

The Group requires each subcontracting entity and construction team to conduct self-inspection of the process in strict accordance with the construction acceptance standards and carefully keep the inspection records. Where there is no record of "Self-inspection, mutual inspection, professional inspection", or the record not delivered in time or not handed in; the project considered as not completed. In order to strengthen the process inspection during construction, the Group implements the mechanism of self-inspection and mutual inspection by workers, supplemented by professional inspections to effectively prevent and control quality risks.

Photo 8: Adway Quality Management System certification

The Group carries out project-quality acceptance inspection strictly according to construction organization plan and national quality standards. According to the project acceptance criteria for each phase set by the construction organization, the supervision organization and the country, and the technical parameters of design drawings, the Group carries out overall acceptance inspection of a project, to ensure that the construction process and management comply with relevant specifications and standards.

The Group's building renovation project design and construction, and professional contracting of mechanical and electrical equipment safety engineering have passed GB/T19001/ISO9001 quality management system certification. The Group reviews the operating performance of the quality management system through regular internal management reviews, to identify the areas for optimization and the potential for improvement.

2. Innovative R&D and intellectual property protection

Technological innovation is the source of a company's sustainable development. The Group adheres to independent innovation and orientates its development towards energy saving, environmental protection and intelligent cooperation. For those purposes, it has vigorously invested in the research and application of new materials, new processes and new technologies; it is actively exploring new technologies such as energy-saving approaches for building structure day-lighting, energy-saving approaches in firefighting water-containing system, and the software development in project management and intelligent control.

In order to promote scientific and technological innovation and protect proprietary intellectual property rights, the Group has formulated and improved its patent management system, and defined work procedures and responsibilities for technological development, patent application, patent evaluation, information management and other aspects. Meanwhile, it organized the propaganda and training of patent knowledge to enhance employees' awareness of patent protection.

The Group has successfully registered 63 utility model patents and 27 computer software copyrights, of which, 6 computer software copyrights were obtained in 2017.

3. Customer information security

The Group attached great importance to customer information security, and has formulated and improved relevant information management system, and strictly prohibits the leakage of customer information. The Group has entered into confidentiality agreements with customers and enforced strict permission management of the customer information in the information system. Security procedures have been set to prevent unauthorized access, use and leakage of information resources.

The Group stipulates that employees must sign information confidentiality agreements and undertake to comply with regulations of customer information protection and properly maintain customer data.

4. Anti-corruption and integrity construction

The Group strictly abides by relevant laws and regulations of the state and the industry, and always regards anti-corruption as the focus of internal risk management. The Group has formulated and implemented the Anti-Corruption and Reporting System, and through the implementation of internal oversight, reporting and accountability mechanism, it has standardized the professional behavior of its employees and strengthened employees' awareness of honesty, in order to safeguard the legitimate interests of the Group and its stakeholders.

The Group has set up a number of reporting channels such as telephone hotline, email, President Mailbox, etc., and announced them in employee handbook, anti-commercial bribery agreements and other documents. The Group's Audit Department is responsible for receiving internal and external reporting. Within 2 business days after receiving a report, the Audit Department will submit the reported matter to the general manager or the board of directors based on the rank of the reporting personnel involved, in order to determine the follow-up investigation plan. The Audit Department manager sums up the reports and follow-up investigations weekly and submits them to the Group's audit committee.

The Group imposes corresponding administrative disciplinary sanctions on employees confirmed to have committed fraudulent practices in accordance with relevant regulations; for the incidents that violate the law, the personnel concerned will be transferred to the judicial authorities for actions according to law.

In order to promote honesty and self-discipline, and warn risks, when new employees join the Group, they must sign a "Commitment to Probity in Work" and clearly promise that they will not use their powers to seek unfair benefits. Meanwhile, the Group requires all suppliers to sign the "Anti-Commercial Bribery Agreement", and implement the elimination system for suppliers who violate the provisions of the agreement. In 2017, there was no corruption lawsuit against the Group or any employee.

IX. CONTRIBUTION TO THE SOCIETY

"Devotion" is one of the Group's corporate goals. While rewarding the shareholders with maximum performance, the Group is committed to carry out the social responsibilities that a corporate citizen should shoulder. As a public corporation, the Group's management has maintained the concept of building a harmonious society and sharing the community by actively participating in various public welfare undertakings, as well as providing monetary and in-kind donations to different charity businesses. In 2017, the Group donated RMB50,000 to the Charity Association set up by the Chinese People's Political Consultative Conference in Luhe County, Guangdong Province. The Group also donated RMB30,000 to the construction of the recreational center for senior citizens in Daluo Village, Heshui Town, Heping County, Guangdong Province. The Group had also donated 200 sets of book to the Welfare Lottery Center in Futian District, Shenzhen.

X. INDUSTRY PARTICIPATION AND HONOR AWARDS

As of 31 December 2017, the Group has participated in the industry associations and obtained memberships as follows:

No.	Name of Association	Membership level
1	Federation of Shenzhen Industries	Vice president
2	China Building Decoration Association	Executive director
3	Guangdong Construction Industry Association	Director
4	Shenzhen Decoration Industry Association	Director

In 2017, the Group won the following major awards:

No.	Name of Award	Date of awarding	Issuing organization
1	"Jinzhan Gold Plaza Glass Curtain Wall Project" was awarded Shenzhen Jinpeng Award	2017-05	Shenzhen Decoration Industry Association
2	Guangdong Province Science and Technology Demonstration Project Award 2017	2017-06	Guangdong Construction Industry Association Building Decoration Branch
3	Guangdong Province Science and Technology Innovation Achievement Award 2017	2017-06	Guangdong Construction Industry Association Building Decoration Branch
4	Awarded "Trustworthy and Contract-credit" Corporate Certificate for Thirteen Consecutive Years	2017-06	Guangdong Province Administration for Industry & Commerce
5	Guangdong Famous Trademark Certificate 2017	2017-07	Guangdong Famous Trademark Appraisal Committee
6	CBDA AAA Credit Rating Certificate Annual Verification 2017	2017-08	China Building Decoration Association
7	National Brand Cultivation Pilot Enterprise	2017-09	Economic, Trade and Information Commission of Shenzhen Municipality
8	"Chengdu Yitai Tianjiao No.6, No.8, No.10, No.11" was awarded Luban Award	2017-10	China Construction Industry Association
9	"Ningxia International Conference Center" was awarded China Building Decoration Award	2017-11	China Building Decoration Association

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Guangdong Adway Construction (Group) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 96, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

1. Revenue recognition of construction contracts

2. Recoverability of trade receivables and amounts due from customers for contract work

Key Audit Matter: 1. Revenue recognition of construction contracts	How our audit addressed the Key Audit Matter
Refer to Note 2.24(a) for the accounting policy of revenue recognition of construction contracts, Note 4(a) for the critical accounting estimates and judgements involved and Note 6 to the consolidated financial statements. The Group recognised the revenue from construction contracts amounted to Renminbi ("RMB") 1,615,036,000 for the year ended 31 December 2017, representing approximately 97% of the Group's total revenue. Contract revenue is recognised over the contract period by referencing to the stage of completion when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by the aggregated cost for the individual contract incurred at the end of the reporting period compared with the estimated budget cost. We focused on this area because the recognition of revenue from construction contracts involved judgements by management, which mainly included determination of the stage of completion and the estimated budget cost.	We understood, evaluated and validated the design and operating effectiveness of the controls over revenue recognition of construction contracts. Those controls included management's review on the budget cost and the stage of completion of contracts, as well as controls over the aggregated cost incurred and the variation orders. We selected revenues recognised from construction contracts using sampling technique and tested the aggregated cost incurred by examination of project documentation, including construction agreements, payment records, receipt notes of materials and labour cost records. With respect to the budget cost for the samples selected, we examined the detailed budget prepared by management and examined the additional variation orders. We tested the percentage of completion by performing recalculation, comparing the aggregated cost incurred for the individual contract with the estimated budget cost. Based on our audit procedures, we found management's judgements and estimates used in the revenue recognition of construction contracts were supported by available evidence.

Key Audit Matter: 2. Recoverability of trade receivables and amounts due from customers for contract work	How our audit addressed the Key Audit Matter
Refer to Note 2.13 for the accounting policy of impairment of financial assets, Note 4(c) for the critical accounting estimates and judgements involved, Note 20 and Note 21 to the consolidated financial statements. As at 31 December 2017, the net book value of trade receivables and amounts due from customers for contract work (together as "receivables from construction contracts") amounted to RMB357,150,000 and RMB1,255,340,000 respectively, accounted for approximately 76% of the Group's total assets in aggregate. Management performed periodic review on the status of construction projects and individual credit evaluations on significant customers. These evaluations focused on the customer's settlement history and current ability to pay, and took into account the information specific to the customer as well as pertaining to the economic environment in which the customer operates. For receivables from construction contracts which were not subject to individual evaluations or individually assessed as not impaired, management collectively assessed the possibility of impairment taking into account of the ageing analysis and historical bad debt losses incurred in respect of those group of customers. We focused on this area because management made judgements over the timing of recognition of impairment of receivables from construction contracts and the estimation of the amount of any such impairment.	We understood, evaluated and validated the design and operating effectiveness of the controls over impairment assessment of receivables from construction contracts. Those controls were related to the identification of events that triggered the provision for impairment of receivables from construction contracts and estimation of the impairment provisions. We obtained a breakdown of individual significant customer recoverability assessment from management. Where impairment was individually provided, we tested the receivables from construction contracts on sample basis to check the impairment was evidenced in relation to the time and extent of the provision provided. In addition, we examined on a sample basis the individual significant customer which had not been identified by management as potentially impaired and performed audit procedures to assess the recoverability. Our procedures included examination of the construction progress, independent research on public available information and examination of payment records in the current year. In respect of the collective assessment, we reviewed the underlying information referenced by management through validation of the ageing reports and comparison with the historical collection records and average industry provision rate. Based on our audit procedures, we found management's judgement and estimates used when assessing the recoverability of receivables from construction contracts were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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 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 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chow, Shiu Hay Antonio.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	6	1,672,758	1,728,466
Cost of sales	7	(1,448,589)	(1,523,678)
Gross profit		224,169	204,788
Selling and marketing expenses	7	(7,905)	(4,377)
Administrative expenses	7	(54,500)	(61,200)
Other income - net	9	5,361	2,435
Operating profit		167,125	141,646
Finance income		929	1,176
Finance costs		(30,759)	(15,609)
Finance costs — net	10	(29,830)	(14,433)
Profit before income tax		137,295	127,213
Income tax expense	11	(21,456)	(19,609)
Profit for the year		115,839	107,604
Other comprehensive income		—	—
Total comprehensive income for the year		115,839	107,604
Total profit and comprehensive income attributable to:			
Owners of the Company		115,839	107,604
Earnings per share			
— Basic and diluted (RMB)	12	54.89 cents	65.82 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	83,186	79,470
Lease prepayments — land use rights	16	9,932	10,218
Investment properties	17	775	819
Intangible assets	18	5,299	—
Deferred income tax assets	19	24,178	21,682
Prepayments and other receivables	22	25,578	11,010
		148,948	123,199
Current assets			
Amounts due from customers for contract work	20	1,255,340	763,714
Trade receivables	21	357,150	252,536
Prepayments and other receivables	22	74,435	137,395
Restricted cash	24	761	843
Cash and cash equivalents	23	281,750	287,613
		1,969,436	1,442,101
Total assets		2,118,384	1,565,300
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	211,050	211,050
Share premium	25	168,472	168,472
Other reserves	26	63,538	55,254
Retained earnings		457,163	349,608
Total equity		900,223	784,384
LIABILITIES			
Non-current liabilities			
Deferred revenue		1,774	1,847
Current liabilities			
Trade and other payables	27	438,481	417,776
Amounts due to customers for contract work	20	42,954	39,526
Borrowings	28	721,000	310,000
Current income tax liabilities		13,952	11,767
		1,216,387	779,069
Total liabilities		1,218,161	780,916
Total equity and liabilities		2,118,384	1,565,300

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

The financial statements on pages 55 to 96 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf.

Ye Yujing	**Ye Guofeng**
Director	*Director*

	Share capital RMB'000 (Note 25)	Share premium RMB'000 (Note 25)	Other reserves RMB'000 (Note 26)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	158,287	17,839	43,454	253,804	473,384
Comprehensive income					
— Profit for the year	—	—	—	107,604	107,604
Total comprehensive income	—	—	—	107,604	107,604
Issuance of ordinary shares upon initial public offering ("IPO") (Note 25)	52,763	191,906	—	—	244,669
Shares issuance costs	—	(41,273)	—	—	(41,273)
Transfer to statutory reserve	—	—	10,693	(10,693)	—
Transfer to safety reserve	—	—	1,107	(1,107)	—
Balance at 31 December 2016	211,050	168,472	55,254	349,608	784,384
Balance at 1 January 2017	**211,050**	**168,472**	**55,254**	**349,608**	**784,384**
Comprehensive income					
— Profit for the year	**—**	**—**	**—**	**115,839**	**115,839**
Total comprehensive income	**—**	**—**	**—**	**115,839**	**115,839**
Transfer to statutory reserve	**—**	**—**	**12,002**	**(12,002)**	**—**
Utilisation of safety reserve	**—**	**—**	**(3,718)**	**3,718**	**—**
Balance at 31 December 2017	**211,050**	**168,472**	**63,538**	**457,163**	**900,223**

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

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows used in operating activities			
Cash used in operations	29	**(344,837)**	(69,036)
PRC enterprise income tax paid		**(21,767)**	(18,821)
Net cash outflow from operating activities		**(366,604)**	(87,857)
Cash flows from investing activities			
Purchases of property and equipment		**(10,188)**	(297)
Purchase of intangible assets		**(1,590)**	—
Proceeds from government grants related to assets		**—**	660
Interest received		**929**	482
Net cash (outflow)/inflow from investing activities		**(10,849)**	845
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares		**—**	244,669
Proceeds from borrowings	29(b)	**766,226**	348,000
Repayments of borrowings	29(b)	**(355,226)**	(284,400)
Interest paid		**(27,974)**	(14,416)
Payment for listing expenses		**(9,255)**	(19,138)
Net cash inflow from financing activities		**373,771**	274,715
Net (decrease)/increase in cash and cash equivalents		**(3,682)**	187,703
Cash and cash equivalents at beginning of the year		**287,613**	99,216
Exchange (losses)/gains on cash and cash equivalents		**(2,181)**	694
Cash and cash equivalents at end of the year	23	**281,750**	287,613

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

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

The 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.

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2017:

Amendments to HKAS 7	Statement of cash flows
Amendments to HKAS 12	Income taxes

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 29(b).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards, amendments to existing standards and interpretations not yet adopted

The following new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the reporting period commencing on 1 January 2017 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments and associated amendments to various other standards	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (amendment)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019

The Group's assessment of the impact about below new standards that are expected to be applicable to the Group is as follows:

HKFRS 15 Revenue from contracts with customers

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has not identified significant impact to the Group's results of operations and financial position.

The application of HKFRS 15 may result in the identification of separate performance obligations in relation to construction contracts which could affect the timing of the recognition of revenue going forward.

Date of adoption by the Group

HKFRS 15 is mandatory for the financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards, amendments to existing standards and interpretations not yet adopted *(Continued)*

HKFRS 9 Financial instruments (Continued)

Impact

The Group has reviewed its financial assets and liabilities and has not identified any significant impact from the adoption of the new standard on 1 January 2018.

The Group currently only has financial assets in the category of loans and receivables, which is measured at amortised cost. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial instruments: recognition and measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. The directors consider the adoption of the new standard may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 must be applied for the financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard and comparatives for 2017 will not be restated.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no non-cancellable operating lease commitments.

Mandatory application date/Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re- measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 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 including goodwill.

2.4 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 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.

2.6 Property and equipment

Property and equipment are stated at historical cost less depreciation. 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
Building improvements	5 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Investment property

Investment property, 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	26–30 years

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

2.8 Lease prepayments

Lease prepayments represent upfront prepayment made for the land use rights and are expensed in the consolidated income statements on a straight-line basis over the period of the lease which is 39 years. Lease prepayments are carried at cost less accumulated amortisation and impairment losses.

2.9 Intangible assets

Software

Acquired computer software and technology 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.

2.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets

(i) Classification

The Group currently only has financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group company or the counterparty.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Construction contract

A construction contract is defined by HKAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenue of each asset can be separately identified. A group of contracts performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipt in advance. Amounts billed for work performed, but not yet paid by the customer are included in the consolidated statement of financial position under "trade receivables".

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "Restricted cash". Restricted cash are excluding from cash and cash equivalents included in the consolidated statements of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 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.

2.18 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 and amounts due to related parties are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 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.

2.20 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(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.

2.23 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 relating to property and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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

(a) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contact by reference to the stage of completion. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

(b) Rendering of services

The Group provided 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.

(c) Sales of goods

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

(d) Rental income

Rental income from investment property is recognised in the income statement on a straight- line basis over the term of the lease.

2.25 Interest income

Interest income is recognised using the effective interest method.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases.

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statements of financial position based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Research and development

Research expenditures are recognised as expenses or cost of sales as incurred. Costs incurred on development projects (relating to the design and developing of new or improved utility models and utility patents) are recognised as intangible assets if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expenses or cost of sales when incurred. Development costs previously recognised as expenses or cost of sales are not recognised as an asset in a subsequent period.

2.28 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The 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 Group operates in the PRC with most transactions being settled in RMB, which is the functional currency of the group companies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities of the group company that are denominated in a currency that is not the entity's functional currency, primarily with respect to Hong Kong dollars ("HKD"). The Group currently does not have a foreign currency hedging policy and manages its foreign currency risk by closely monitor the movement of the foreign currency rates.

At 31 December 2017, if RMB had weakened/strengthened by 5% against the HKD, while all other variables had been held constant, the Company's post-tax profit for the year would have been approximately RMB277,000 higher/lower for various financial assets and liabilities denominated in HKD (2016: RMB9,844,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk *(Continued)*

(ii) Cash flow 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. Information relating to the interest rates and terms of the Group's borrowings are disclosed in Note 28. As at 31 December 2017, if the market interest rates had been 0.5% higher with all other variables held constant, post-tax profit for the year would have been RMB2,554,000 lower (2016: RMB1,136,000 lower), mainly as a result of higher interest expense on borrowings. The directors consider the interest rate risk related to cash at bank is not material to the Group.

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 mainly arises from cash and cash equivalents, trade receivables, other receivables and amounts due from customers for contract work. 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 assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

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, amounts due from customers for contract work and deposits and retentions recorded as other receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment in which the customer operates. 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. For customers that were not subject to individual evaluations or individually assessed as not impaired, management collectively assessed the possibility of impairment taking into account of the ageing analysis and historical bad debt losses incurred in respect of these group of customers.

Further quantitative disclosures in respect of amounts due from customers for contract work, trade receivables, and other receivables are set out in Note 20, 21 and 22.

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. Management considers that there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk *(Continued)*

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
As at 31 December 2017	
Borrowings	**740,546**
Trade and other payables	**315,875**
	1,056,421
As at 31 December 2016	
Borrowings	319,725
Trade and other payables	196,126
	515,851

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 2017 and 2016, the Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017 **RMB'000**	2016 RMB'000
Total borrowings (Note 28)	**721,000**	310,000
Less: cash and cash equivalents (Note 23)	**(281,750)**	(287,613)
Net debt	**439,250**	22,387
Total equity	**900,223**	784,384
Total capital	**1,339,473**	806,771
Gearing ratio	**33%**	3%

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 ESTIMATES AND JUDGEMENTS

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.

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) Percentage of completion of construction works

The Group recognises the revenue according to the percentage of completion of the individual contract of construction. 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) Estimation of foreseeable losses in respect of construction works

Management estimates the amount of foreseeable losses of construction works based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise service charges of work forces engaged and costs of materials are prepared by management on the basis of quotations from time to time provided by the major labour agencies, suppliers and vendors involved and experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred. Items that are subject to significant variances and impact the amount of provision of foreseeable losses of construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget.

(c) Impairment of trade receivables and amounts due from customers for contract work

The policy for allowance for bad and doubtful debt of the Group is determined by the management based on the evaluation of collectability and ageing analysis of accounts and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and debtor. If the financial positions of customers and debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

When an uncertainty subsequently arises about the recoverability of amounts due from the customer for the contract where revenue has been validly recognised, a loss consisting of incurred cost which exceed contract revenue recoverable and the accumulated profit recognised previously should be recognised. Management would individually assess the recoverability of the amounts due from customers for contract work to focus on the customer's settlement history and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

(d) 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.

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 board of directors of the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the years ended 31 December 2017 and 2016.

As at 31 December 2017 and 2016, all of the non-current assets were located in the PRC.

6 REVENUE

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Revenue from construction contracts	**1,615,036**	1,717,533
Design and other income	**24,173**	9,203
Sales of goods	**33,549**	1,730
Total	**1,672,758**	1,728,466

Except for one customer accounted for 17% (2016: 23%) of the Group's revenue, no other customers individually accounted for more than 10% of the Group's revenue during the year ended 31 December 2017 (2016: nil).

7 EXPENSE BY NATURE

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Raw materials and consumables used	**897,152**	1,015,971
Remuneration paid or payable to work forces engaged by the Group	**501,262**	480,213
Trading merchandise consumed	**32,325**	1,271
Staff costs (including directors' emoluments) (Note 8)	**27,642**	23,291
Provisions for foreseeable losses on construction contracts	**15,348**	33,930
Depreciation and amortisation expenses	**9,365**	9,468
Business and other taxes	**7,598**	21,075
Consulting and professional fee	**3,537**	5,136
Advertising fee	**3,276**	830
Provision/(reversal) for impairment of receivables	**3,053**	(13,140)
Auditor's remuneration	**2,380**	1,250
Travelling expenses	**1,264**	1,064
Entertainment expenses	**1,199**	1,610
Insurance fee	**918**	681
Office expenses	**522**	436
Listing expenses	**—**	2,645
Miscellaneous	**4,153**	3,524
Total cost of sales, selling and marketing expenses and administrative expenses	**1,510,994**	1,589,255

Note: Research and development expenses during the year ended 31 December 2017 were RMB61,897,000(2016: RMB61,303,000), which mainly included materials consumed and related staff costs. No research and development expenses had been capitalised for the year ended 31 December 2017 (2016: nil).

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Salaries, wages and bonuses	24,325	20,558
Housing funds, medical insurances and other social insurances	1,302	1,053
Pension costs — defined contribution plans	1,403	1,134
Other welfare and allowance	612	546
	27,642	23,291

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

The remuneration of each director, supervisor and chief executive for the year ended 31 December 2017 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 (i)	—	638	34	672
Mr. Liu Yilun	—	396	34	430
Mr. Ye Niangting	—	358	34	392
Mr. Ye Guofeng	—	270	34	304
Ms. Ye	—	122	1	123
Non-executive director				
Mr. Tian Wen	80	—	—	80
Independent non-executive directors				
Mr. Fung Yat Sang (ii)	40	—	—	40
Mr. Lin Zhiyang	80	—	—	80
Mr. Tang Wai Man, Raymond (ii)	47	—	—	47
Mr. Wang Zhaowen (ii)	47	—	—	47
Supervisors				
Mr. Wu Hanguang	—	126	15	141
Mr. Ye Xian	—	63	6	69
	294	1,973	158	2,425

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 2016 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 (i)	—	636	32	668
Mr. Liu Yilun	—	395	32	427
Mr. Ye Niangting	—	357	32	389
Mr. Ye Guofeng	—	269	32	301
Ms. Ye	—	135	17	152
Non-executive director				
Mr. Tian Wen	80	—	—	80
Independent non-executive directors				
Mr. Li Bingren (ii)	60	—	—	60
Mr. Fung Yat Sang (ii)	80	—	—	80
Mr. Lin Zhiyang	80	—	—	80
Supervisors				
Mr. Wu Hanguang	—	121	15	136
Mr. Ye Xian	—	48	6	54
	300	1,961	166	2,427

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

(ii) On 31 May 2017, Mr. Li Bingren and Mr. Fung Yat Sang, independent non-executive directors, resigned. Mr. Tang Wai Man, Raymond and Mr. Wang Zhaowen were appointed as independent non-executive directors accordingly.

(iii) 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 2017 were RMB294,000 (2016: RMB300,000). 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 company for the year ended 31 December 2017 were RMB1,921,000 (2016: RMB1,937,000).

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 (2016: same). No consideration was provided to or receivable by third parties for making available directors' services (2016: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: 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 (2016: same).

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

(b) Five highest paid individuals

For the year ended 31 December 2017, the five individuals whose emoluments were the highest in the Group included four directors (2016: four), whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individual during the years ended 31 December 2017 and 2016, are as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**244**	344
Contribution to pension scheme	**31**	32
	275	376

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Nil to HK$1,000,000	**1**	1

9 OTHER INCOME — NET

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Government grants (a)	**4,609**	2,053
Rental income from investment properties	**90**	219
Others	**680**	207
	5,379	2,479
Outgoings related to rental income	**(18)**	(44)
	5,361	2,435

(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.

10 FINANCE COSTS — NET

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Finance income		
— Interest income derived from bank deposits	**929**	482
— Net foreign exchange gains	**—**	694
	929	1,176
Finance costs		
— Interest expenses on borrowings	**(28,578)**	(14,440)
— Expense for factoring arrangement	**—**	(1,169)
— Net foreign exchange losses	**(2,181)**	—
	(30,759)	(15,609)
	(29,830)	(14,433)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	**23,952**	22,886
Deferred income tax (Note 19)	**(2,496)**	(3,277)
	21,456	19,609

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

Pursuant to the PRC Enterprise Income Tax Law ("EIT Law"), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. On 15 November 2016, the Company renewed the High and New Technology Enterprise Certificate which is effective for three years commencing on 1 January 2016. The applicable income tax rate is 15% for the years from 2016 to 2018. Assuming that there is no change to the relevant laws and regulations, the directors consider that the Company will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to EIT at a rate of 25% (2016: 25%) in accordance with EIT Law.

11 INCOME TAX EXPENSE *(Continued)*

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

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Profit before income tax	**137,295**	127,213
Calculated at applicable tax rate	**20,544**	19,082
Expenses not deductible for tax purposes	**786**	442
Unrecognised temporary difference (a)	**126**	85
	21,456	19,609

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

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**115,839**	107,604
Weighted average number of ordinary shares in issue (thousand shares)	**211,050**	163,491
Basic earnings per share (RMB)	**54.89 cents**	65.82 cents

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2017 and 2016. Diluted earnings per share are the same as the basic earnings per share.

13 DIVIDENDS

At the board of directors meeting held on 23 March 2018, the directors of the Company proposed a final dividend for the year ended 31 December 2017 of RMB0.03 per ordinary share, total amounting to approximately RMB6,331,500 (2016: nil) out of retained earnings of the Company. These proposed dividends have not been reflected as dividends payable in these consolidated financial statements for the year ended 31 December 2017 but will be reflected as dividends distribution for the year ending 31 December 2018. No dividend has been paid by the Company for the year ended 31 December 2017 (2016: nil).

14 SUBSIDIARIES

Subsidiaries of the Group as at 31 December 2017 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
Directly held					
Shenzhen City Jingdi Gardening Construction Engineering Company Limited (深圳市景帝園林建設工程有限公司)	Limited liability company	Shenzhen, the PRC	Garden landscaping, design and construction work and construction engineering; 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 Constructional Engineering Design (Shenzhen) Company Limited (愛得威建築工程設計(深圳)有限公司)	Limited liability company	Shenzhen, the PRC	Design of decoration projects and related whole industry chain integrated services; the PRC	RMB10,000,000	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	HK$10,000	100%

15 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture |and office equipment RMB'000	Total RMB'000
At 1 January 2016						
Cost	74,192	25,128	31	7,000	5,255	111,606
Accumulated depreciation	(6,160)	(10,835)	(27)	(4,089)	(2,875)	(23,986)
Closing net book amount	68,032	14,293	4	2,911	2,380	87,620
Year ended 31 December 2016						
Opening net book amount	68,032	14,293	4	2,911	2,380	87,620
Additions	861	—	—	—	171	1,032
Depreciation	(2,386)	(5,026)	(4)	(809)	(957)	(9,182)
Closing net book amount	66,507	9,267	—	2,102	1,594	79,470
At 31 December 2016						
Cost	75,053	25,128	31	7,000	5,426	112,638
Accumulated depreciation	(8,546)	(15,861)	(31)	(4,898)	(3,832)	(33,168)
Net book amount	66,507	9,267	—	2,102	1,594	79,470
Year ended 31 December 2017						
Opening net book amount	**66,507**	**9,267**	**—**	**2,102**	**1,594**	**79,470**
Additions	**4,515**	**—**	**—**	**6,864**	**1,416**	**12,795**
Depreciation	**(2,390)**	**(5,026)**	**—**	**(660)**	**(1,003)**	**(9,079)**
Closing net book amount	**68,632**	**4,241**	**—**	**8,306**	**2,007**	**83,186**
At 31 December 2017						
Cost	**79,568**	**25,128**	**31**	**13,864**	**6,842**	**125,433**
Accumulated depreciation	**(10,936)**	**(20,887)**	**(31)**	**(5,558)**	**(4,835)**	**(42,247)**
Net book amount	**68,632**	**4,241**	**—**	**8,306**	**2,007**	**83,186**

As at 31 December 2017, buildings with net book value amounted RMB16,882,000 (2016: RMB17,529,000) were pledged as collateral for the Group's borrowings (Note 28).

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Selling and marketing expenses	**14**	—
Administrative expenses	**9,065**	9,182
	9,079	9,182

16 LEASE PREPAYMENTS — LAND USE RIGHTS

The balance represented prepaid operating lease payment for one piece of land located in the PRC for a lease term of 39 years. The movements are as follows:

	Leasehold land RMB'000
At 1 January 2016	
Cost	11,242
Accumulated amortisation	(738)
Net book amount	10,504
Year ended 31 December 2016	
Opening net book amount	10,504
Additions	—
Amortisation	(286)
Closing net book amount	10,218
At 31 December 2016	
Cost	11,242
Accumulated amortisation	(1,024)
Net book amount	10,218
Year ended 31 December 2017	
Opening net book amount	**10,218**
Additions	**—**
Amortisation	**(286)**
Closing net book amount	**9,932**
At 31 December 2017	
Cost	**11,242**
Accumulated amortisation	**(1,310)**
Net book amount	**9,932**

As at 31 December 2017, land use rights with net book value amounted RMB9,932,000 (2016: RMB10,218,000) were pledged as collateral for the Group's borrowings (Note 28).

Amortisation charges were expensed in the following category in the consolidated statements of comprehensive income.

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Administrative expenses	**286**	286

17 INVESTMENT PROPERTIES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January		
Cost	**1,374**	1,374
Accumulated depreciation	**(555)**	(511)
Net book amount	**819**	863
For the year		
Opening net book amount	**819**	863
Depreciation	**(44)**	(44)
Closing net book amount	**775**	819
At 31 December		
Cost	**1,374**	1,374
Accumulated depreciation	**(599)**	(555)
Net book amount	**775**	819

(a) As at 31 December 2017, no investment properties was pledged as collateral for the Group's borrowings properties (2016: net book amount amounted to RMB819,000 was pledged as collateral) (Note 28).

(b) Rental income of the Group's investment properties were recognised in other income. Relevant direct expenses, such as depreciation and management fees were recognised in other expenses. Details are set out in Note 9.

(c) During the years ended 31 December 2017 and 2016, all investment properties were located in the PRC with lease periods of 26 to 30 years.

(d) The fair value of the investment properties as at 31 December 2017 has been assessed on an open market value basis to be approximately RMB5,730,000 (2015: RMB5,730,000). The valuation of the investment properties has not been taken up in these consolidated financial statements as these investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, under the Group's accounting policies.

18 INTANGIBLE ASSETS

Intangible assets include software purchased during the year ended 31 December 2017 amounted to RMB5,299,000 (2016: nil). As at 31 December 2017, the software was still under installation.

19 DEFERRED INCOME TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**23,178**	21,134
— to be recovered within 12 months	**1,000**	548
	24,178	21,682

The gross movements on the deferred income tax assets are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**21,682**	18,405
Tax credited to the consolidated income statement	**2,496**	3,277
At 31 December	**24,178**	21,682

(b) The movements in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provision for foreseeable losses on construction contract RMB'000	**Deferred revenue** RMB'000	**Provision for receivables** RMB'000	**Tax losses** RMB'000	**Accruals** RMB'000	**Total** RMB'000
At 1 January 2016	6,116	188	11,341	59	701	18,405
Tax credited/(charged) to the consolidated statement of comprehensive income	5,090	89	(1,756)	(59)	(87)	3,277
At 31 December 2016	11,206	277	9,585	—	614	21,682
Tax credited/(charged) to the consolidated statement of comprehensive income	2,302	(11)	224	—	(19)	2,496
At 31 December 2017	**13,508**	**266**	**9,809**	**—**	**595**	**24,178**

19 DEFERRED INCOME TAX ASSETS *(Continued)*

(c) Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The tax losses with no deferred tax assets recognised carried forward are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Year of expiry of tax losses		
2018	**15**	15
2019	**340**	340
2020	**1,401**	1,401
2021	**567**	567
2022	**504**	—
	2,827	2,581

20 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Aggregate costs incurred plus recognised profit less foreseeable losses	**2,323,876**	2,386,610
Less: progress billings	**(1,111,490)**	(1,662,422)
	1,212,386	724,188
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**1,255,340**	763,714
Amounts due to customers for contract work	**(42,954)**	(39,526)
	1,212,386	724,188

At 31 December 2017, retentions held by customers for contract work amounted to approximately RMB22,538,000 (2016: RMB41,327,000), and have been included in prepayments and other receivables (Note 22). Advances received from customers for contract work not yet commenced as at 31 December 2017 amounted to approximately RMB53,111,000 (2016: RMB151,716,000), and have been included in trade and other payables (Note 27).

21 TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables (a)	**379,474**	292,614
Less: provision for impairment of trade receivables (e)	**(49,772)**	(44,809)
Trade receivables — net	**329,702**	247,805
Notes receivable (d)	**27,448**	4,731
	357,150	252,536

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 6 months	**184,068**	148,143
6 months to 1 year	**52,449**	55,635
1 year to 2 years	**82,367**	40,813
2 years to 3 years	**31,213**	18,349
Over 3 years	**29,377**	29,674
	379,474	292,614

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

Due to the short credit period granted by the Group to its customers, substantially all trade receivables as at 31 December 2017 were considered past due from accounting perspective. When determining the amount of impairment of trade receivables, management first assesses whether objective evidence of impairment exists for trade receivables that are individually significant. Collective assessment for impairment would be performed on a group of trade receivables which are with similar credit risk characteristics. Trade receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 6 months	**184,068**	148,143
6 months to 1 year	**52,449**	55,635
1 year to 2 years	**62,961**	32,910
2 years to 3 years	**5,106**	2,279
Over 3 years	**2,179**	—
	306,763	238,967

These trade receivables related to a number of independent customers for whom there is no recent history of default.

21 TRADE RECEIVABLES *(Continued)*

(c) As at 31 December 2017, trade receivables of the Group amounted to RMB44,143,000 (2016: RMB42,518,000) were individually assessed and provided with impairments of RMB44,143,000 (2016: RMB42,518,000). The individually impaired trade receivables mainly relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The directors are of the opinion that only a portion of the receivables is expected to be recovered.

(d) As at 31 December 2017, notes receivable of the Group were mainly commercial acceptance notes, with due period less than 12 months (2016: same).

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At 1 January	**44,809**	58,177
Provision for impairment	**15,330**	1,950
Written off	**(1,559)**	—
Reversal of provision	**(8,808)**	(15,318)
At 31 December	**49,772**	44,809

(f) The carrying amounts of trade receivables and notes receivable approximate their fair values due to their short term maturities. The Group's trade receivables are denominated in RMB.

(g) As at 31 December 2017, trade receivables with book value amounted to RMB75,706,000 (2016: RMB100,000,000), were pledged as collateral for the Group's borrowings (Note 28).

22 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments (a)	**23,653**	64,723
Project reserve funds	**420**	551
Deposits (b)	**52,731**	41,023
Retention receivables (b)	**22,538**	41,327
Other receivables (c)	**671**	781
	100,013	148,405
Less: non-current portion		
Prepayments for properties	**—**	(2,607)
Deposits	**(10,588)**	(3,466)
Retention receivables	**(14,990)**	(4,937)
	(25,578)	(11,010)
	74,435	137,395

(a) As at 31 December 2017, included in prepayments are advances to suppliers (2016: advances to suppliers and prepayments for properties).

22 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Deposits represented tender and performance bonds due from customers. Retention receivables represented amounts due from customers upon completion of the construction work which will be refunded after one or two years by the end of the free maintenance period. All of the deposits and retention receivables are dominated in RMB.

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Deposits	**52,731**	41,023
Retention receivables	**22,538**	41,327
	75,269	82,350
Among which —		
Neither past due nor impaired	**74,164**	81,017
Past due and impaired	**16,728**	20,425
Provision for impairment	**(15,623)**	(19,092)
	75,269	82,350

(c) Other receivables are mainly the amounts due from third parties, which are unsecured, interest-free and repayable on demand. The Directors are of the opinion that no provision for impairment is necessary and the balances are fully recoverable.

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

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Denominated in RMB		
— Cash at bank	**275,197**	55,963
— Cash on hand	**30**	19
	275,227	55,982
Denominated in HKD		
— Cash at bank	**6,523**	231,631
Total	**281,750**	287,613

24 RESTRICTED CASH

As at 31 December 2017, RMB761,000 (2016: RMB843,000) are restricted deposits held at banks to protect the construction workers engaged by the Group as required for certain projects.

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares ('000)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued and fully paid:				
At 1 January 2016	158,287	158,287	17,839	176,126
Issuance of ordinary shares (a)	52,763	52,763	191,906	244,669
Shares issuance costs	—	—	(41,273)	(41,273)
At 31 December 2016 and 31 December 2017	211,050	211,050	168,472	379,522

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

26 OTHER RESERVES

	Statutory reserve RMB'000	Safety reserve RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2016	39,750	2,611	1,093	43,454
Transfer to statutory reserve	10,693	—	—	10,693
Transfer to safety reserve	—	1,107	—	1,107
At 31 December 2016	50,443	3,718	1,093	55,254
At 1 January 2017	**50,443**	**3,718**	**1,093**	**55,254**
Transfer to statutory reserve	**12,002**	**—**	**—**	**12,002**
Utilisation of safety reserve	**—**	**(3,718)**	**—**	**(3,718)**
At 31 December 2017	**62,445**	**—**	**1,093**	**63,538**

(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 not less than 10% of their profit after taxation calculated under PRC accounting standards and regulations to the 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 2017 and 2016. 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.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Trade payables (a)	302,061	175,114
Advances from customers	53,111	151,716
Other tax payable	57,578	61,662
Payables for listing expenses	1,537	10,792
Payroll payable	11,917	8,272
Other payables	12,277	10,220
	438,481	417,776

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 6 months	271,363	157,858
6 months to 1 year	24,768	1,718
1 year to 2 years	1,762	13,322
2 years to 3 years	4,168	2,216
	302,061	175,114

28 BORROWINGS

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Bank borrowings — secured	711,000	310,000
Bank borrowings — unsecured	10,000	—
	721,000	310,000

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

The weighted average effective interest rates as at 31 December 2017 was 5.32% (2016: 5.40%) per annum.

As at 31 December 2017 and 2016, bank borrowings were secured by the Group's certain property and equipment (Note 15), land use rights (Note 16), investment properties (Note 17), certain trade receivables (Note 21) and guaranteed by certain related parties (Note 30(b)).

29 CASH FLOW INFORMATION

(a) Cash used in operations

Reconciliation of profit before income tax to cash used in operations is as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Profit before income tax	137,295	127,213
Adjustments for:		
— Depreciation of property and equipment and investment properties	9,123	9,226
— Amortisation of land use right	286	286
— Provision/(Reversal) for impairment of trade and other receivables	3,053	(13,140)
— Provision for foreseeable losses on construction contracts	15,348	33,930
— Financial costs — net	29,830	13,264
— Amortisation of deferred revenue	(73)	(68)
	194,862	170,711
Changes in working capital:		
— Amounts due from/to customers for contract work	(503,546)	(55,111)
— Trade receivables, prepayments and other receivables	(61,882)	(30,760)
— Trade and other payables	25,647	(153,033)
— Changes of restricted cash on operating activities	82	(843)
Cash used in operations	(344,837)	(69,036)

29 CASH FLOW INFORMATION *(Continued)*

(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 2017 RMB'000
Cash and cash equivalents	281,750
Borrowings — repayable within one year	(721,000)
Net debt	(439,250)
Cash and cash equivalents	281,750
Gross debt — fixed interest rates	(120,000)
Gross debt — variable interest rates	(601,000)
Net debt	(439,250)

	Cash RMB'000	**Borrowings due within 1 year** RMB'000	**Total** RMB'000
Net debt as at 31 December 2016	287,613	(310,000)	(22,387)
Cash flows	(3,682)	(411,000)	(414,682)
Foreign exchange adjustments	(2,181)	—	(2,181)
Net debt as at 31 December 2017	**281,750**	**(721,000)**	**(439,250)**

30 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Salaries and other benefits	**2,637**	2,847
Contribution to pension scheme	**206**	228
Total	**2,843**	3,075

(b) The Group's bank borrowings of RMB592,000,000 as at 31 December 2017 have been guaranteed by Ms. Ye and certain shareholders of the Group (2016: nil) (Note 28).

31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2017 RMB'000	2016 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	10,536	10,565
Property and equipment	82,578	78,828
Investment properties	775	819
Intangible asset	5,299	—
Deferred income tax assets	24,178	21,682
Prepayments and other receivables	25,578	11,010
	148,944	122,904
Current assets		
Amounts due from customers for contract work	1,255,340	763,714
Trade receivables	357,150	252,536
Prepayments and other receivables	74,435	137,395
Amounts due from subsidiaries	11,720	11,540
Restricted cash	761	843
Cash and cash equivalents	281,611	287,507
	1,981,017	1,453,535
Total assets	2,129,961	1,576,439

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

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	**211,050**	211,050
Share premium (b)	**168,472**	168,472
Other reserves (b)	**63,518**	55,234
Retained earnings (b)	**459,256**	351,235
Total equity	**902,296**	785,991
LIABILITIES		
Non-current liabilities		
Deferred revenue	**1,774**	1,847
Current liabilities		
Trade and other payables	**438,481**	417,776
Amounts due to customers for contract work	**42,954**	39,526
Borrowings	**721,000**	310,000
Amounts due to subsidiaries	**9,504**	9,532
Current income tax liabilities	**13,952**	11,767
	1,225,891	788,601
Total liabilities	**1,227,665**	790,448
Total equity and liabilities	**2,129,961**	1,576,439

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

Ye Yujing	**Ye Guofeng**
Director	*Director*

31 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 RMB'000	Total RMB'000
Balance at 1 January 2016	17,839	43,434	254,994	316,267
Comprehensive income				
— Profit for the year	—	—	108,041	108,041
Total comprehensive income	—	—	108,041	108,041
Issuance of ordinary shares upon IPO	191,906	—	—	191,906
Shares issuance costs	(41,273)	—	—	(41,273)
Transfer to statutory reserve	—	10,693	(10,693)	—
Transfer to safety reserve	—	1,107	(1,107)	—
Balance at 31 December 2016	168,472	55,234	351,235	574,941
Balance at 1 January 2017	**168,472**	**55,234**	**351,235**	**574,941**
Comprehensive income	**—**			
— Profit for the year	**—**	**—**	**116,305**	**116,305**
Total comprehensive income	**—**	**—**	**116,305**	**116,305**
Transfer to statutory reserve	**—**	**12,002**	**(12,002)**	**—**
Utilisation of safety reserve	**—**	**(3,718)**	**3,718**	**—**
Balance at 31 December 2017	**168,472**	**63,518**	**459,256**	**691,246**