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

Interim Report 2018

* For identification purpose only

CONTENTS

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. CHEUNG Wai Yeung Michael (張威揚先生)
Mr. LIN Zhiyang (林志揚先生)

SUPERVISORS

Mr. ZU Li (祖力先生)
Mr. YE Weizhou (葉偉周先生)
Mr. YE Xian (葉縣先生)

AUDIT COMMITTEE

Mr. CHEUNG Wai Yeung Michael (張威揚先生) *(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. CHEUNG Wai Yeung Michael (張威揚先生)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
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 (寇悦女士)

AUDITOR

PricewaterhouseCoopers

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

JOINT COMPANY SECRETARIES

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

6189

COMPANY'S WEBSITE

http://www.aidewei.cn

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the reform of China's construction industry keeps advancing. The regulatory authorities have continued the previous policy direction for the construction industry, and have set multiple policies in strengthening the construction market supervision, optimizing the business environment, promoting the integrity system, simplifying enterprise qualification management and improving the market access system.

According to the report of the National Bureau of Statistics of China, in the first half of 2018, the national construction industry's production value was about RMB9,479 billion, which has increased by 10.39% compared to the same period of the previous year, which has demonstrated a relatively fast growing trend.

Overall, in the first half of 2018, the construction industry is growing stably and in a relatively fast pace; and there was no substantial change in the big picture of the building decoration industry, which the situation remains as "Big industry, Small enterprises". Hence, the leading enterprises in the building decoration industry still have large growing potential and opportunity in the market.

BUSINESS REVIEW

After the successful listing on the Main Board of the Stock Exchange, the Group has strengthened its operating efforts and continued to commit itself to new projects and has achieved better results in the first half of 2018.

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.

The Group has established a wide range of operations. As of 30 June 2018, there are 24 branch offices and representative offices in 18 provinces, autonomous regions and municipalities.

In the first half of 2018, the Group has signed 93 new contracts with a value of more than RMB1 million each, 22 new contracts with a value of more than RMB10 million each, and 2 new contracts with a value of more than RMB50 million each.

During the six months ended 30 June 2018, the Group carried out 290 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB3.38 billion, including 73 projects with a contract value of more than RMB10 million each and 12 projects with a contract value of more than RMB50 million each.

FUTURE PROSPECT

In the second half of 2018, the Group will continue to stabilize its business performance and position in the industry with a focus on improving its performance and strengthening its project management. The Group believes that the following strategies will help to strengthen its competitiveness and operational efficiency:

1. Further expand the Group's business network in the PRC, continue to expand existing businesses and explore new markets. The Group plans to establish three new branches in the second half of 2018.

2. Enhance the centralized procurement of raw materials to reduce the costs. The Group will continue to improve its centralized procurement system, optimize the procurement process and improve the efficiency of the enterprise.

3. Focus on the development of the Group's R&D and design capabilities. The Group will try to establish cooperation with research institutions and famous designer firms in the PRC to improve the Group's level of R&D and design and to enhance the Group's market competitiveness.

4. Improve the level of the Group's internal informatization management. The Group will continue to optimize the informatization management system to achieve seamless integration of internal information of the Group to enhance the Group's management quality, work efficiency and decision-making ability.

FINANCIAL REVIEW

The Group's revenue and profit attributable to equity holders for the six months ended 30 June 2018 amounted to RMB735.30 million and RMB51.39 million respectively (six months ended 30 June 2017: RMB745.59 million and RMB49.74 million), representing no significant fluctuation in revenue and an increase of 3.32% in profit attributable to equity holders respectively. Gross profit for the six months ended 30 June 2018 amounted to RMB101.79 million (six months ended 30 June 2017: RMB94.56 million), representing a gross profit margin of approximately 13.84% (six months ended 30 June 2017: 12.68%) and representing an increase in gross profit of 1.16%. Such increase was mainly due to the generally higher gross profit margin from contracts commenced in the first half of 2018. And among the projects with top 20 income contributions, the gross profit margin of most of the projects were average at 13.02% (six months ended 30 June 2017: 12.01%). Operating profit for the six months ended 30 June 2018 was RMB73.75 million (six months ended 30 June 2017: RMB71.89 million) or 10.03% (six months ended 30 June 2017: 9.64%) of revenue, representing an increase of 2.59% in operating profit. Besides for the increase in gross profit, such increase in operating profit was mainly due to the increase in the government grants. Net profit for the six months ended 30 June 2018 was RMB51.39 million (six months ended 30 June 2017: RMB49.74 million) or 6.99% (six months ended 30 June 2017: 6.67%) of revenue.

For the six months ended 30 June 2018, earnings per share was RMB24.35 cents (six months ended 30 June 2017: RMB23.57 cents), representing an increase of 3.31% in earnings per share.

Liquidity and financial resources

As of 31 December 2017 and 30 June 2018, the Group had cash and cash equivalents of approximately RMB281.75 million and approximately RMB163.98 million, respectively. The decrease of the Group's cash and cash equivalents is primarily due to the increase in the prepayments to the suppliers and trade receivables during the six months ended on 30 June 2018.

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. On 29 June 2018, the Company obtained the approval of China Securities Regulatory Commission for the placing of new H shares. 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 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.

The contract assets increased from approximately RMB1,255.34 million as of 31 December 2017 to approximately RMB1,304.81 million as at 30 June 2018 (previously presented as "Amounts due from customers for contract work"; now presented as "Contract assets"), representing an increase of 3.94%. The level of the contract assets as of a given reporting date is mainly affected by the duration between its submission of interim progress payment and the endorsement on the project progress report. Such increase was mainly due to the commencement of 2 projects with higher contract value (each with total contract value of over RMB50 million) for the six months ended on 30 June 2018.

Trade and other payables decreased from approximately RMB438.48 million as of 31 December 2017 to approximately RMB432.44 million as of 30 June 2018, representing a decrease of 1.38% primarily due to a change of accounting policy under which the advances from customers as at the six months ended on 30 June 2018 is reclassified to "Contract liabilities" (as at 31 December 2017 is presented as "Trade and other payables"). Set aside the effect of reclassification, trade and other payables increased mainly 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 trade receivables which increased during 2018.

Charges on assets

As at 30 June 2018, trade receivables of RMB408.89 million and notes receivable of RMB27.81 million were pledged as collateral for the Group's borrowings (31 December 2017: trade receivables of RMB75.71 million, buildings of RMB16.88 million and land use rights of RMB9.93million were pledged as collateral for the Group's borrowings).

Capital structure

The Company's issued share capital as of 30 June 2018 is RMB211,050,000 divided into 211,050,000 shares of RMB1.00 each, of which 52,763,000 shares of RMB1.00 each are issued H Shares.

As of 30 June 2018, the Group relied on interest-bearing bank borrowings and other borrowings in the amount of approximately RMB708.76 million (31 December 2017: approximately RMB721.00 million) which are repayable within 1 year. As of 30 June 2018, the Group did not have any intercompany borrowings.

The gearing ratio was 36.56% as of 30 June 2018 while the ratio as of 31 December 2017 was 32.79%. The increase was mainly attributable to a decrease in the total cash and cash equivalents.

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

Material acquisition and disposals of subsidiaries or affiliated companies

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

Dividends

Approved by the shareholders at the annual general meeting ("**AGM**") on 8 June 2018, a final dividend in respect of the year ended 31 December 2017 of RMB0.03 (tax inclusive) per share (the "**2017 Final Dividend**") was distributed to all shareholders of the Company. Based on the number of the issued shares as at 31 December 2017, the final dividend totalled RMB6.33 million (tax inclusive). The aforesaid 2017 Final Dividend was paid in August 2018 to shareholders of the domestic shares and H shares, in RMB and HK$ respectively, whose names appeared on the Register of Members of the Company on Friday, 13 July 2018. H shareholders registered in the H share Register of Members received the 2017 Final Dividend in HK$ and domestic shareholders registered in the domestic share Register of Members received the 2017 Final Dividend in RMB. Dividend paid in HK$ was exchanged 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 AGM (i.e. RMB0.82 into HK$ 1). Thus, the 2017 Final Dividend per H share was approximately HK$0.037 (tax inclusive).

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

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$228.10 million (amounted to approximately RMB203.40 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 30 June 2018, approximately RMB157.25 million have been utilized and the unutilized net proceeds of approximately RMB46.15 million from the Global Offering are deposited in the bank accounts. The break down for the utilized net proceeds: 1) approximately RMB68.78 million was used to establish an internal online supply-chain management platform; 2) approximately RMB9.94 million was used to improve and upgrade the Group's internal integrated IT infrastructure for business management; 3) approximately RMB14.57 million was used to strengthen the Group's research and development capabilities and establish a research and development laboratory; 4) approximately RMB33.13 million was used to further expand the geographical coverage of the Group's services and optimise the Group's branch network; 5) approximately RMB10.92 million was used to upgrade the Group's design system and recruit more design professionals; 6) approximately RMB19.91 million was used for supplementing working capital.

EMPLOYEES

As of 30 June 2018, the Company had 379 employees. Adjustments of employees' remuneration will be made according to the Company's results and profitability and are determined by assessing the correlation between the total salary paid to employees and the economic efficiency of the Company. The policy contributes to the management of the Company's remuneration expenses while employees will be motivated to work hard for good results and development of the Company. Save for the remuneration policies disclosed above, the Company does not maintain any share option scheme for its employees and the employees do not enjoy bonus. The Company regularly provides administrative personnel with trainings on various subjects, including operation management, foreign languages, computer skills, industry know-how and policies and laws, in different forms, such as seminars, site visits and study tours.

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.

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

As at 30 June 2018, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which will be required to be notified to the Company and the 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 (Domestic Shares)	42.77%	32.07%
	Interest of spouse	15,504,000 (Domestic Shares)	9.79%	7.35%
YE Xiujin (葉秀近) (Note 4)	Beneficial Owner	15,504,000 (Domestic Shares)	9.79%	7.35%
	Interest of spouse	67,694,000 (Domestic Shares)	42.77%	32.07%
YE Xian (葉縣) (Note 5)	Beneficial Owner	10,336,000 (Domestic Shares)	6.53%	4.90%
YE Guofeng (葉國鋒) (Note 6)	Interest in a controlled corporation	6,075,000 (Domestic Shares)	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 of 30 June 2018, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of SFO, the substantial Shareholders and other persons had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholder	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 30 June 2018, (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 Co-Win 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, 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 (寧波興旺贏華), 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 30 June 2018. 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 Laws 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 SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the date of listing to the date of this interim 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. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance and protect the interests of its Shareholders in an open manner. The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. Throughout the period since the Listing Date to the date of this Interim report, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to Code A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and 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 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 from time to time and in each financial year.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

The changes in information of Directors since the date of the 2017 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. TANG Wai Man Raymond resigned as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee, with effect from the conclusion of the Extraordinary General Meeting (the "EGM") dated 20 August 2018.

Mr. CHEUNG Wai Yeung Michael was appointed and approved by the shareholders at the EGM as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee, with effect from the conclusion of the EGM dated 20 August 2018.

Mr. Ye Weizhou ("**Mr. Ye**") was appointed as an employee representative Supervisor of the fifth session of the supervisory committee at the Company's staff conference held on 17 April 2018.

In accordance with the articles of association of the Company, as Mr. Ye was elected democratically as an employee representative supervisor of the fifth session of the Supervisory committee by the employees of the Company, his appointment came into effect from the date of the 2017 AGM of the Company.

Mr. Wu Hanguang, the employee representative Supervisor of the fourth session of the supervisory committee of the Company retired on the date of the 2017 AGM of the Company.

CHANGES IN THE INFORMATION ON DIRECTORS

A proposal to adjust the remuneration of the Directors was approved by the Shareholders by way of poll at the AGM on 8 June 2018.

With effective from 8 June 2018, the monthly director's fee (tax inclusive) of Directors have been adjusted as below:

		Monthly director's fee before adjustment	Monthly director's fee after adjustment
Mr. YE Yujing (葉玉敬先生)	Executive Director	RMB50,000	RMB55,000
Mr. LIU Yilun (劉奕倫先生)	Executive Director	RMB30,000	RMB32,000
Ms. YE Xiujin (葉秀近女士)	Executive Director	RMB10,000	RMB12,000
Mr. YE Guofeng (葉國鋒先生)	Executive Director	RMB20,000	RMB33,000
Mr. YE Niangting (葉娘汀先生)	Executive Director	RMB27,000	RMB30,000

There is no change to the remuneration of the Supervisors, non-executive Director and independent non-executive Directors of the Company.

Save as the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the period was the Company or its subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

REVIEW OF INTERIM REPORT BY AUDIT COMMITTEE

The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. CHEUNG Wai Yeung Michael (as chairman), Mr. WANG Zhaowen and Mr. LIN Zhiyang. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2018 and has no disagreement with the accounting policies adopted by the Company.

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

Shenzhen, the PRC, 27 August 2018

* For identification purpose only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	7	**735,304**	745,589
Cost of sales		**(633,513)**	(651,027)
Gross profit		**101,791**	94,562
Selling and marketing expenses		**(3,926)**	(2,084)
Administrative expenses		**(28,486)**	(22,112)
Other income — net		**4,372**	1,519
Operating profit		**73,751**	71,885
Finance income		**2,315**	402
Finance costs		**(20,925)**	(13,325)
Finance costs — net		**(18,610)**	(12,923)
Profit before income tax		**55,141**	58,962
Income tax expense	8	**(3,754)**	(9,225)
Profit for the period		**51,387**	49,737
Other comprehensive income		**—**	—
Total comprehensive income for the period		**51,387**	49,737
Total comprehensive income attributable to:			
— Owners of the Company		**51,387**	49,737
Earnings per share			
— Basic and diluted (RMB)	9	**24.35 cents**	23.57 cents

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	11	78,150	83,186
Lease prepayments — land use rights		9,790	9,932
Investment properties		754	775
Intangible asset		4,431	5,299
Deferred income tax assets		25,301	24,178
Prepayments and other receivables	13	21,506	25,578
		139,932	148,948
Current assets			
Contract assets	3.2	1,304,809	—
Amounts due from customers for contract work	3.2	—	1,255,340
Trade receivables	12	458,206	357,150
Prepayments and other receivables	13	152,992	74,435
Restricted cash		2,658	761
Cash and cash equivalents		163,984	281,750
		2,082,649	1,969,436
Total assets		2,222,581	2,118,384
EQUITY			
Equity attributable to owners of the Company			
Share capital		211,050	211,050
Share premium		168,472	168,472
Other reserves		64,564	63,538
Retained earnings		501,192	457,163
Total equity		945,278	900,223
LIABILITIES			
Non-current liabilities			
Deferred revenue		1,738	1,774
Current liabilities			
Trade and other payables	14	432,436	438,481
Contract liabilities	3.2	121,502	—
Amounts due to customers for contract work	3.2	—	42,954
Dividend payable	10	6,332	—
Borrowings	15	708,755	721,000
Current income tax liabilities		6,540	13,952
		1,275,565	1,216,387
Total liabilities		1,277,303	1,218,161
Total equity and liabilities		2,222,581	2,118,384

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Unaudited:					
Balance at 1 January 2018	211,050	168,472	63,538	457,163	900,223
Comprehensive income					
— Profit for the period	—	—	—	51,387	51,387
Total comprehensive income	—	—	—	51,387	51,387
Transfer to safety reserve	—	—	1,026	(1,026)	—
Dividends for the year ended 31 December 2017	—	—	—	(6,332)	(6,332)
Balance at 30 June 2018	211,050	168,472	64,564	501,192	945,278
Unaudited:					
Balance at 1 January 2017	211,050	168,472	55,254	349,608	784,384
Comprehensive income					
— Profit for the period	—	—	—	49,737	49,737
Total comprehensive income	—	—	—	49,737	49,737
Utilisation of safety reserve	—	—	(3,718)	3,718	—
Balance at 30 June 2017	211,050	168,472	51,536	403,063	834,121

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(78,115)**	(230,587)
PRC enterprise income tax paid	**(12,289)**	(15,463)
Net cash used in operating activities	**(90,404)**	(246,050)
Cash flows from investing activities		
Purchases of property and equipment	**(312)**	(920)
Purchases of intangible asset	**(1,590)**	—
Interest received	**2,300**	402
Net cash generated from/(used in) investing activities	**398**	(518)
Cash flows from financing activities		
Proceeds from borrowings	**428,150**	422,000
Repayments of borrowings	**(435,000)**	(123,000)
Interest paid	**(20,925)**	(10,974)
Payment for listing expenses	**—**	(9,150)
Net cash (used in)/generated from financing activities	**(27,775)**	278,876
Net (decrease)/increase in cash and cash equivalents	**(117,781)**	32,308
Cash and cash equivalents at beginning of the period	**281,750**	287,613
Exchange gains/(losses) on cash and cash equivalents	**15**	(1,920)
Cash and cash equivalents at end of the period	**163,984**	318,001

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

1. GENERAL INFORMATION

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

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

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 27 August 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the interim financial information should be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period.

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

(a) New and amended standards adopted by the Group

The following new standards were relevant to the Group and have been adopted by the Group for the first time for the current reporting period and the Group had changed its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

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

The following new standards and amendments to standards are not yet effective for financial year beginning 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements 2015–2017	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 Adoption of HKFRS 9

Impact of adoption

HKFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities, and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its classification of financial assets and liabilities and has not identified any significant impact from the adoption of the new standard on 1 January 2018.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as under HKAS 39. The Group's trade receivables, contract assets relating to construction contracts and other receivables are subject to HKFRS 9's new expected credit losses model. The Group is required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

Accounting policies for impairment of financial assets applied from 1 January 2018

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

3.2 Adoption of HKFRS 15

Impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("**HKAS 18**") and HKAS 11 Construction contracts ("**HKAS 11**") that relate to the recognition, classification and measurement of revenue and costs.

The Group has assessed its performance obligations and timing of revenue recognition under HKFRS 15 and has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at 1 January 2018, except for the certain reclassification of assets and liabilities.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets for unbilled work in progress in relation to construction contracts were previously presented as amounts due from customers for contract work.
- Contract liabilities for advances from customers in relation to construction contracts were previously included in trade and other payables.
- Contract liabilities for cumulative progress billing to customers over the cumulative work in progress in relation to construction contracts were previously presented as amounts due to customers for contract work.

Impact on the financial statements

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

Consolidated statement of financial position (extract)	**31 December 2017 as originally presented** RMB'000	**Reclassifications under HKFRS 15** RMB'000	**1 January 2018 as restated** RMB'000
Contract assets	—	1,255,340	1,255,340
Amounts due from customers for contract work	1,255,340	(1,255,340)	—
Contract liabilities	—	96,065	96,065
Amounts due to customers for contract work	42,954	(42,954)	—
Trade and other payables	438,481	(53,111)	385,370

Accounting policies for revenue recognition applied from 1 January 2018

Under HKFRS 15, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

3.2 Adoption of HKFRS 15 *(Continued)*

Accounting policies for revenue recognition applied from 1 January 2018 *(Continued)*

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

5.2 Credit risk

Credit risk mainly arises from cash and cash equivalents, trade receivables, other receivables and contract assets. 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.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Credit risk *(Continued)*

In respect of trade receivables, contract assets 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, take into account the information specific to the customer as well as pertaining to the economic environment in which the customer operates and considers available reasonable and supportive forward-looking information. 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 as well as forward-looking information in respect of these group of customers.

5.3 Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at period end 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 June 30 2018 (Unaudited)	
Borrowings	**731,183**
Trade and other payables	**337,487**
Dividend payable	**6,332**
	1,075,002
As at 31 December 2017 (Audited)	
Borrowings	740,546
Trade and other payables	315,875
	1,056,421

5.4 Fair value estimation

The Group's financial assets and financial liabilities are mainly receivables (including contract assets) and payables, respectively, which are carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts due to their short maturities.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the 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 regard that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived from the PRC during the six months ended 30 June 2018 and 2017.

As at 30 June 2018 and 2017, all of the non-current assets were located in the PRC.

7. REVENUE

	Six months ended 30 June	
	2018 **RMB'000** **(Unaudited)**	2017 RMB'000 (Unaudited)
Revenue from construction contracts	**689,052**	735,634
Sales of goods	**36,601**	824
Design and other income	**9,651**	9,131
	735,304	745,589
Timing of revenue recognition:		
— Over time	**698,703**	744,765
— At a point in time	**36,601**	824
	735,304	745,589

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 **RMB'000** **(Unaudited)**	2017 RMB'000 (Unaudited)
Current income tax		
— PRC enterprise income tax	**4,877**	9,828
Deferred income tax	**(1,123)**	(603)
	3,754	9,225

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.

8. INCOME TAX EXPENSE *(Continued)*

Pursuant to the PRC Enterprise Income Tax Law ("**EIT Law**"), the EIT rate for domestic enterprises and foreign invested enterprises is 25%. On 15 November 2016, the Company renewed the High and New Technology Enterprises Certificate, which is effective for three years commencing on 1 January 2016. The applicable income tax rate is 15% for the years from 2016 to 2018. Assuming that there is no change to the relevant laws and regulations, the directors consider that the Company will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the deferred income tax. All the other PRC entities of the Group are subject to EIT at a rate of 25% (six months ended 30 June 2017: 25%) in accordance with EIT Law.

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit before income tax	**55,141**	58,962
Calculated at applicable tax rate	**8,257**	8,844
Expenses not deductible for tax purposes	**104**	350
Unrecognised temporary difference	**35**	31
Additional deduction on research and development expenses (a)	**(4,642)**	—
	3,754	9,225

(a) During the six months ended 30 June 2018, the Company prepared and submitted related documents for the application of additional deduction on research and development expenses to in-charge tax authority according to EIT Law and utilised such tax deduction on its yearly income tax settlement.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**51,387**	49,737
Weighted average number of ordinary shares in issue (thousand shares)	**211,050**	211,050
Basic earnings per share (RMB)	**24.35 cents**	23.57 cents

The Company did not have any potential dilutive ordinary shares outstanding during the six months ended 30 June 2018 and 2017. Diluted earnings per share is the same as the basic earnings per share.

10. DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of RMB0.03 per share was approved by the shareholders at the annual general meeting on 8 June 2018 and was reflected as dividend payable as at 30 June 2018.

The board of directors did not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six month ended 30 June 2017: same).

11. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Building improvements RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Total RMB'000
Six months ended 30 June 2018 (Unaudited)					
Opening amount as at 1 January 2018	**68,632**	**4,241**	**8,306**	**2,007**	**83,186**
Additions	**—**	**—**	**—**	**312**	**312**
Depreciation	**(1,274)**	**(2,511)**	**(902)**	**(661)**	**(5,348)**
Closing amount as at 30 June 2018	**67,358**	**1,730**	**7,404**	**1,658**	**78,150**
Six months ended 30 June 2017 (Unaudited)					
Opening amount as at 1 January 2017	66,507	9,267	2,102	1,594	79,470
Additions	—	—	420	500	920
Depreciation	(1,195)	(2,513)	(347)	(464)	(4,519)
Closing amount as at 30 June 2017	65,312	6,754	2,175	1,630	75,871

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

12. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables (a)	**477,334**	379,474
Less: provision for impairment of trade receivables (b)	**(54,727)**	(49,772)
Trade receivables — net	**422,607**	329,702
Notes receivable (c)	**35,599**	27,448
	458,206	357,150

12. TRADE RECEIVABLES *(Continued)*

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	134,826	184,068
6 months to 1 year	172,310	52,449
1 year to 2 years	55,895	82,367
2 years to 3 years	67,759	31,213
Over 3 years	46,544	29,377
	477,334	379,474

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
At 1 January	49,772	44,809
Provision for impairment	5,117	8,689
Receivables written off	—	(1,558)
Reversal of provision	(162)	(3,867)
At 30 June	54,727	48,073

(c) As at 30 June 2018, notes receivable of the Group were mainly commercial acceptance notes, with maturity of less than 12 months (31 December 2017: same).

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Prepayments	97,395	23,653
Deposits	46,266	52,731
Retention receivables	29,514	22,538
Other receivables	1,323	1,091
	174,498	100,013
Less: non-current portion		
Deposits	(3,755)	(10,588)
Retention receivables	(17,751)	(14,990)
	(21,506)	(25,578)
	152,992	74,435

14. TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables (a)	330,482	302,061
Advances from customers	—	53,111
Other tax payable	86,229	57,578
Payables for listing expenses	—	1,537
Payroll payable	8,720	11,917
Other payables	7,005	12,277
	432,436	438,481

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 6 months	263,505	271,363
6 months to 1 year	50,195	24,768
1 year to 2 years	12,480	1,762
2 years to 3 years	4,302	4,168
	330,482	302,061

15. BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Bank borrowings — secured	660,944	711,000
Bank borrowings — unsecured	20,000	10,000
Other borrowings — secured	27,811	—
	708,755	721,000

Movements in borrowing are analysed as follows:

	RMB'000
Six months ended 30 June 2018 (unaudited)	
Opening amount ended 1 January 2018	721,000
Proceeds of new borrowings	428,150
Repayments of borrowings	(440,395)
Closing amount as at 30 June 2018	708,755
Six months ended 30 June 2017 (unaudited)	
Opening amount ended 1 January 2017	310,000
Proceeds of new borrowings	422,000
Repayments of borrowings	(123,000)
Closing amount as at 30 June 2017	609,000

As at 30 June 2018 and 31 December 2017, all of the Group's borrowings are repayable within one year and denominated in RMB.

The weighted average effective interest rates as at 30 June 2018 was 5.70% (31 December 2017: 5.32%) per annum.

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Salaries and other benefits	1,301	1,354
Contribution to pension scheme	100	112
Total	1,401	1,466

(b) The Group's bank borrowings of RMB574,944,000 as at 30 June 2018 (31 December 2017: RMB592,000,000) have been guaranteed by Ms. Ye and certain shareholders of the Group.