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GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED*

廣東愛得威建設(集團)股份有限公司

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

(Stock Code: 6189)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
A WHOLLY-OWNED SUBSIDIARY**

The Board of the Company hereby announces that on 21 October 2021, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital in the Target Company for the Consideration in the amount of approximately RMB31.53 million.

As of the date of this announcement, the Company, as the vendor, holds the entire issued share capital of the Target Company. Upon Completion, the Company will no longer own any shares in the Target Company. The Target Company shall cease to be a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be deconsolidated from the financial statements of the Company. Accordingly, the financial results of the Target Company shall cease to be consolidated into those of the Company.

THE SALE AND PURCHASE AGREEMENT

A summary of the principal terms of the Sale and Purchase Agreement is set out below:

Date: 21 October 2021

Parties:

- (1) the Company, as the vendor;
- (2) Huizhou Zhengdong Building Material Technology Limited*, as the Purchaser.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company.

Upon the completion of Disposal ("**Completion**"), the Purchaser will hold the entire equity interest of the Target Company.

Consideration and Payment Terms

The Consideration for the Disposal shall be in the total amount of approximately RMB31.53 million. Such Consideration shall be payable by the Purchaser to the Company in accordance with the following manner:

1. As at the date of signing this Sale and Purchase Agreement, the Purchaser paid the Company RMB7 million.
2. The Company and the Purchaser agreed to open a custody account ("**Custody Account**") in a designated bank for fund supervision. And after the Purchaser verifies the relevant proofs of credit investigation and title certificate provided by Company, when the Purchaser notifies the Company of the site clearance works on land assets and the two parties jointly sign and submit all documents required for business registrations for the change in 100% equity interest in the Target Company, the Purchaser shall pay approximately RMB19.53 million to the Custody Account.
3. Within three working days upon the completion of the business registrations for the change in 100% equity interest in the Target Company, the sum of approximately RMB19.53 million held in the Custody Account shall be released to the Company by the Purchaser. Within five working days upon the receipt of all the balance of the Custody Account, the Company shall release any pledge of the equity interest of the

Target Company. The Target Company is not subject to, among others, any debts, mortgage, and pledge nor involved in any dispute or litigation. After the signing of the site clearing agreement between the Company and the tenant, the Purchaser shall pay approximately RMB5 million to the Custody Account as the deposit for land site clearing work. Within three working days upon the completion of the site clearing work, the sum of approximately RMB5 million held in the Custody Account shall be released to the Company by the Purchaser.

The Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement with reference to (i) the valuation report of certain land assets held by the Target Company by an independent valuer; (ii) the historical performance of the Target Company; (iii) the unaudited consolidated management accounts of the Target Company as at 30 September 2021; and (iv) the benefits to be derived by the Company from the Disposal as stipulated in the section headed "Reasons for and benefits of the Disposal" below.

Having considered the above factors, the Board (including the independent non-executive Directors) considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Both parties confirm that the following undertakings are the conditions precedent to this Sale and Purchase Agreement. If one party violates any of the following undertakings, the other party is entitled to rescind this Sale and Purchase Agreement and terminate the transaction:

1. The undertaking by the Company

- (1) As of the effective date of this Sale and Purchase Agreement, the Company has made full capital contribution as scheduled in accordance with the relevant laws and articles of association of the Target Company, has internally approved the transfer of equity interest of the Target Company and ensures this transaction complies with the Listing Rules requirements and relevant laws and regulations.
- (2) The ownership in 100% of the equity interests and land assets of the Target Company is tradable and not subject to, among others any debts, mortgage, pledge, or any dispute or litigation.
- (3) All the land demolition work should be completed before handing over the land assets to the Purchaser. All costs incurred therefrom and all the compensation expenses incurred from site-clearing shall be borne by the Company, which is also responsible for settlement of all the land transfer fee and land demolition cost and termination of all leases.

- (4) The Target Company does not owe any taxes or fees, has maintained its accounts to be clear and have not engaged in any illegal business activities since its incorporation to the completion of the business registration procedure of its equity transfer.
- (5) During the period from the signing of the Sale and Purchase Agreement to the transfer of the ownership, the Target Company shall neither incur new liabilities, nor, in any form, dispose any of its assets including the land.
- (6) In case of the failure of completion of the business registration procedures for the transfer of 100% equity interest of the Target Company within the agreed period due to force majeure, within the five days after the expiration of the agreed period, the Company shall go to the designated bank where the Custody Account was set up, with the Purchaser to release all the funds in the Custody Account and unconditionally refund in full to the Purchaser.
- (7) All the information provided by the Company to the Purchaser are true, correct and accurate.
- (8) After the business registration procedures for the change of the 100% equity interest of the Target Company, the Company shall settle all the liabilities of the Target Company, and inform the Purchaser on all the existing guarantee liabilities. Should the Company fail to do so, the Purchaser is entitled to rescind this Sale and Purchase Agreement and a full refund for all the payments and deposit made to the Company. The Company is liable for all the expenditure incurred by the Purchaser for the transfer of the equity interests.

2. The undertaking by the Purchaser

- (1) The Purchaser has full authority to enter into the Sale and Purchase Agreement, fulfill the rights and obligations under the agreement without any legal impediments or limitations.
- (2) The Purchaser has sufficient resources and ability to perform the Sale and Purchase Agreement and, to timely make the payments in full as agreed.
- (3) The Purchaser undertakes that its source of fund is legal.

Completion

The Completion shall take place after the fulfilment (or waiver where applicable) of all conditions described in the section headed “Conditions precedent” above. Upon the Completion, the Target Company ceases to be a wholly-owned subsidiary of the Company, and the financial results of the Target Company shall cease to be consolidated into those of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in PRC with limited liability principally engaged in developing and construction of industrial parks. As at the date of this announcement, the entire issued share capital of which is owned by the Company and it is a direct wholly-owned subsidiary of the Company. As at the date of this announcement, the Target Company's only assets is the land situated at Taiyang Ao Industrial zone, Baihua town, Huidong county, with land use right of the area of approximately 39,406 square meters. The property is currently leased to the tenant "Huizhou City Dongsha Construction Material Ltd" for RMB53,000 per month for a term from 21 August 2020 to 20 August 2026. As the first five months is a rent-free period, therefore the revenue generated by the Target Company for the year ended 31 December 2020 was RMB0.

The audited consolidated financial information of the Target Company prepared under CASBE for the year ended 31 December 2019 and 31 December 2020 is as follows:

	For the year ended	
	31 December	
	2020	2019
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Revenue	0	0
Loss before tax	342	341
Loss after tax	342	341

Based on the unaudited consolidated management accounts of the Target Company for the nine months ended 30 September 2021, the unaudited consolidated net assets of the Target Company as at 30 September 2021 was approximately RMB9.21 million.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability which principally engages in the manufacturing of the building materials.

INFORMATION ON THE COMPANY

The Company is a joint stock company incorporated in the PRC with limited liability. The Company is principally engaged in the building decoration service.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As a result of outbreak of the coronavirus pneumonia (COVID-19) pandemic globally, the building decoration industry was seriously negatively affected, and so was the operation of the Company.

The Board considers that the Disposal will enhance the cash position and working capital of the Company. The Disposal will not have any material adverse impact on the business operations and financial position of the Company.

The Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement have been entered into on normal commercial terms, such terms are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

After deducting expenses relating to the Disposal, which is approximately RMB0.5 million, there will be net proceeds of approximately RMB31.03 million from the Disposal, and the Company intends such proceeds to be used for general working capital of the Company.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be subsidiary of the Company. As such, the financial results of the Target Company will no longer be consolidated into those of the Company.

Based on (i) the cash consideration of the Disposal of approximately RMB31.53 million; (ii) the net assets of the Target Company as at 30 September 2021 of approximately RMB9.21 million; and (iii) the estimated gain on disposal of the Target Company is approximately RMB21.81 million. Shareholders should note that the financial effect set out in the above is for illustrative purpose only. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditor of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% and below 25%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Disposal is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement, the transactions contemplated thereunder may or may not proceed to the Completion. Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemental from time to time
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday or Sunday or public holiday) when banks generally are open in PRC for the transaction of general banking business
“Company”	Guangdong Adway Construction (Group) Holdings Company Limited (廣東愛得威建設(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6189)
“Director(s)”	director(s) of the Company
“Disposal”	The disposal of the entire equity interests in the Target Company in accordance with the Sale and Purchase Agreement
“Domestic Shares”	ordinary share(s) issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC natural persons or entities established under the laws of the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 per share which are listed on the Main Board of the Stock Exchange
“Independent Third Party”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China which shall, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Huizhou Zhengdong Building Material Technology Limited* (惠州市正東建材科技有限公司), a company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	The sale and purchase agreement dated 21 October 2021 entered into between the Company and the Purchase in relation to the Disposal
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Huidong Yip’s Development Company Limited* (惠東葉氏實業發展有限公司), a company incorporated in the PRC on 30 November 2012
“%”	per cent

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, 21 October 2021

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

* For identification purpose only