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 2016

* For identification purpose only

CONTENTS

Corporate Information	2
Financial Summary	3
Chairman's Statement	4
Biographical Details of Directors, Supervisors and Senior Management	6
Management Discussion and Analysis	10
Directors' Report	15
Supervisors' Report	23
Environmental, Social and Governance Report	24
Corporate Governance Report	28
Independent Auditor's Report	37
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Changes in Equity	43
Consolidated Statement of Cash Flows	44
Notes to the Consolidated Financial Statements	45

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
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. LI Bingren (李秉仁先生)
Mr. FUNG Yat Sang (馮逸生先生)
Mr. LIN Zhiyang (林志揚先生)

SUPERVISORS

Mr. LUO Jianming (羅建明先生)
Mr. WU Hanguang (吳漢光先生)
Mr. YE Xian (葉縣先生)

AUDIT COMMITTEE

Mr. FUNG Yat Sang (馮逸生先生) *(Chairman)*
Mr. LI Bingren (李秉仁先生)
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. LI Bingren (李秉仁先生)

REMUNERATION COMMITTEE

Mr. LI Bingren (李秉仁先生) *(Chairman)*
Mr. YE Guofeng (葉國鋒先生)
Mr. FUNG Yat Sang (馮逸生先生)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*
Mr. LI Bingren (李秉仁先生)
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

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

China Construction Bank
Bank of China
China Minsheng Bank

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

FINANCIAL SUMMARY

(in million RMB, unless otherwise stated)

CONSOLIDATED RESULTS

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

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

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

Note:

The financial summary for the years ended 31 December 2013, 2014 and 2015 were extracted from the prospectus dated 15 November 2016.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors (the "**Board**") of Guangdong Adway Construction (Group) Holdings Company Limited ("**Adway Construction**" or the "**Company**"), I have submitted to you the annual report of the Company and its subsidiaries (together, the "**Group**") for the financial year ended 31 December 2016.

2016 is a crucial year in the development history of Adway Construction. This is a fruitful year with a milestone for Adway Construction. The Group has entered into its 20th anniversary, and the Group's operating profit and net profit have a historic breakthrough during this year. The Group was successfully listed on the main board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 25 November 2016 (the "**Listing Date**") which symbolized the development of Adway Construction into a new era.

1. PERFORMANCE

The Group realized revenue of RMB1,728.5 million for the year ended 31 December 2016, representing an increase of 4.1% over year 2015 and a net profit of RMB107.6 million, representing an increase of 6.9% over year 2015.

2. REVIEW AND PROSPECT

With the gradual implementation of a series of macroeconomic policies, the "Urbanization", and the "Belt and Road Initiatives", the building decoration industry grows at a stable rate. Regional development pattern continued to be optimized and the industry shows a bright development trend for international market.

In the process of economic development, the implementation of national energy saving and environmental protection policy had a significant impact on the construction industry and the building decoration industry, which has led to the rapid development of intelligent building and smart home, and a large number of enterprises which engaged in manufacturing environmental-friendly material. In addition, the rise of the "Internet +" and the rise of the Internet of Things also have had an impact on the traditional operating model of the building decoration industry, leading the trend of the industry.

In 2016, the Group took a series of measures to develop the Group's current domestic business:

(1) Improve corporate governance, complete its initial public offering:

The Group was successfully listed on the main board of Stock Exchange on 25 November 2016, through the continuous improvement of the Group's standardized management.

(2) Innovate business model to enhance the overall performance:

The Group has expanded its national network to increase the market share and tried to develop a variety of operating models, for example, a flexible business model to boost the overall performance.

(3) Enhance brand values and research and development capacity:

The Group has obtained patents for the technology of its new material, new energy and new artwork with the work done by its Research and Development team. The Company has been awarded as a "New Technology Enterprise" (高新技術企業) and it continually promotes its further development in the field of green building materials simultaneously.

(4) Establish materials supply chain management system and seek for new growth opportunities:

The Group has created a greater value space for the construction efficiency, procurement cost and its quality through the Group's existing material intensive platform, project development, integration of resources and building a supply chain system.

(5) Innovate pattern management with "Internet +" concept:

The Group has continuously optimized and built up the information management system of each module in order to improve the Group's strategic development and business model, with dynamic management tools as the starting point to achieve the seamless link between the information of each module, providing the accurate key data for decision makers.

3. THE DIRECTION OF DEVELOPMENT IN 2017

The Group, in 2017, is committed to developing the current business and further expanding the Group's green decorative ecosystem through the following measures:

(1) to integrate the Group's complementary resources by playing the role of Group platform;

(2) to improve domestic performance and to explore overseas business opportunities;

(3) to optimize the intensive procurement platform and to strengthen the integration of financial support services with operating business;

(4) to innovate on the development of Internet and the "Internet +";

(5) to deepen the mechanism management, and constantly achieve the implementation of target mechanism, incentive mechanism, restraint mechanism, competitive mechanism, talent introduction mechanism with strict and meticulous work and paying attention to execution capacity.

On behalf of the Board, I would like to thank our diligent employees, our shareholders and our partners for their continuing trust and care for the Group. We will make more efforts to create greater value for the society, shareholders and employees.

Ye Yujing
Chairman

DIRECTORS

Executive Directors

Mr. YE Yujing (葉玉敬), aged 51, one of the founders of our Group, has been the Chairman of the Board 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 28 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 committee member of the seventh session of the CBD Association, vice president of Federation of Shenzhen Industries, vice president of Shenzhen Decoration Association, the honourable president of the fifth session committee of the Hong Kong Shanwei Luhe Overseas Association (香港汕尾市陸河海外聯誼總會), and 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) and the member of the 8th standing committee of the Luhe County Guangdong Province Committee of CPPCC, the member of the 5th standing committee of the Futian District of Shenzhen Committee of CPPCC (深圳福田區政協委員會常務委員) and the vice chairman of Futian Branch of Shenzhen Committee of China Democratic League (中國民主同盟). Mr. Ye was awarded by China Building Decoration Association (中國建築裝飾協會) 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. 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 44, 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 50, 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 accounts 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 PRC (中華人民共和國財政部) in May 2000.

Mr. YE Guofeng (葉國鋒), aged 29, 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 36, 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. Since February 2013, he has been acting as the general manager of the operation management centre and manager of Division I of the operation department, 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.

Non-executive Director

Mr. TIAN Wen (田文), aged 37, 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 Zhong Tian LLP, Shenzhen Branch from August 2002 to April 2010, and successively served as junior auditor, senior auditor and deputy manager of the assurance department. Since April 2010, he has been working as an investment director in Shenzhen Co-Win Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司). Mr. Tian is currently a director in Shanghai Neoent Industrial Co., Ltd.* (上海紐恩特實業有限公司) and has 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. LI Bingren (李秉仁), aged 66, was appointed as an Independent Non-executive Director on 10 December 2012 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Li has over 30 years of experience in the construction industry. He was the chairman of the seventh session of the CBD Association. Mr. Li graduated from Peking University (北京大學) with a master's degree in economic geography in October 1981. After graduation till March 2011, Mr. Li had worked in the Ministry of Housing and Urban-Rural Development of the People's Republic of China (MOHURD) (中華人民共和國住房和城鄉建設部) (建設部). During his service in the MOHURD, he successively acted as deputy director of science and technology department (科學技術司) and policies and regulations department (政策法規司), head of policy studies centre (政策研究中心), head of the human resources and education department (人事教育司) and general office (辦公廳), and chief economic engineer (總經濟師) of the MOHURD. Mr. Li had been acting as an independent non-executive director of Zhejiang Yasha Decoration Co., Ltd.* (浙江亞廈裝飾股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002375.SZ) since January 2015 and Beijing Honggao Creative Construction Design Co., Ltd.* (北京弘高創意建築設計股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002504.SZ) since November 2014. The principal businesses of the above two companies are decoration and building design which directly or indirectly, competed or may compete with our business. However, since Mr. Li acts as an independent non-executive director in the above companies, his roles in the above companies will not be regarded as a director's competing interest under the Listing Rules.

Mr. FUNG Yat Sang (馮逸生), aged 66, was appointed as an Independent Non-executive Director on 21 August 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Fung has over 30 years of experience in finance management. Mr. Fung is a member of the Australia Society of Certified Public Accountants, a fellow member of the Hong Kong Society of Accountants and a fellow member of the Chartered Association of Certified Accountants. He obtained his higher diploma in accountancy from the Hong Kong Polytechnic (香港理工學院) (now the Hong Kong Polytechnic University 香港理工大學) in November 1976. After graduation, Mr. Fung had worked as an audit trainee and was later promoted to the grade of semi-senior in Coopers & Lybrand, Sanford Yung & Co., Chartered Accountants from July 1976 to June 1978 and as a senior accountant in Fairchild Semiconductor (HK) Ltd. from June 1978 to November 1979. After that, Mr. Fung joined American International Assurance Company Limited as an accountant and because of his outstanding performance, he was later promoted to the position of senior accountant from December 1979 to April 1985. He was transferred to American International Assurance Company (Bermuda) Limited as a comptroller and was promoted to the position of assistant vice president and assistant comptroller from May 1985 to August 1986. He then had worked as a financial accountant in Holiday Inn Menzies Sydney from September 1986 to July 1987 and as a financial controller in Canning Vale Weaving Mills Limited from August 1987 to March 1989. Immediately thereafter, he had worked for Elec & Eltek (Thailand) Limited and Elec & Eltek International Holdings Limited, members of Elec & Eltek Group from March 1989 to March 1995 during which he had successively acted as a financial controller, the group internal audit manager, acting group financial controller and the group financial controller. Mr. Fung acted as the finance director of Colgate-Palmolive (Hong Kong) Ltd from May 1995 to June 1997, and Colgate-Palmolive (Guangzhou) Ltd from July 1997 to August 2004. Later on, Mr. Fung served as an independent non-executive director of Man Sang International Limited, a company listed on the Stock Exchange (stock code: 938. HK) from September 2009 to October 2014. Currently, he serves as an independent non-executive director of Man Sang Jewellery Holdings Limited, a company listed on the Stock Exchange (stock code: 1466.HK), and as a director in Belenus Limited.

Mr. LIN Zhiyang (林志揚), aged 61, was appointed as an Independent Non-executive Director on 21 August 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Lin obtained his bachelor's degree of economics in planning and statistics, master degree of economics and doctorate degree of economics from Xiamen University (廈門大學) in February 1980, February 1985 and September 2002, respectively. Mr. Lin has been working in Xiamen University since February 1985. He was appointed as the vice president of the corporate management department under the faculty of economics from October 1987 to October 1996, and was then promoted to the vice president of the faculty of economics 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 faculty of management from October 2007 to January 2013. Mr. Lin is currently a professor in the faculty of management. 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, and 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. He is also currently an independent director of Shenzhen Four Seasons Green Garden Co., Ltd.* (深圳市四季青園林股份有限公司).

SUPERVISORS

Mr. LUO Jianming (羅建明), aged 55, was appointed as a Supervisor of our Company in June 2012 and is mainly responsible for overseeing the human resources management of our Group. Mr. Luo has 23 years of experience in the civil engineering and construction industries. Mr. Luo was the vice president of the fifth session committee of Hong Kong Shan Mei City Luk Ho Overseas Fraternity Association (香港汕尾市陸河海外聯誼總會) and a member of the sixth session of Luhe County Guangdong Province Committee of the Chinese People's Political Consultative Conference (CPPCC) (廣東省陸河縣政協). Prior to joining our Company, Mr. Luo had worked in the accounts department of Nanwan Town office in Luhe County, Shanwei City, Guangdong for immigration division procurement section of Guangdong Nangao Hydropower Engineering Command* (廣東省南告水電工程指揮部移民辦採購科) from September 1978 to December 1980. From January 1981 to February 1992, he had operated a timepiece repair and maintenance business as a sole proprietor in Luhe County, Shanwei City, Guangdong. After that, Mr. Luo successively served as a technician, project manager, and then vice president in Shenzhen Keyuan Construction Group Co., Ltd.* (深圳市科源建設集團有限公司) from February 1992 to June 2012.

Mr. WU Hanguang (吳漢光), aged 29, was appointed as a Supervisor on 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 24, 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. 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.

Mr. HUANG Ye (黃曄), aged 52, was appointed as a vice president of our Company on 10 December 2012 and is primarily responsible for overseeing financial management of our Group. He joined our Company on 20 December 2010 as an audit controller. Since joining our Group in December 2010, Mr. Huang has been involved in developing financial strategy, overseeing capital and risk management and reviewing funding plans for our Group, utilising his prior experience in audit and accountancy. Mr. Huang graduated from Zhengzhou Institute of Aeronautical Industry Management (鄭州航空工業管理學院) in July 1988 majored in finance and accountancy. Mr. Huang acquired the accountant qualification issued by the Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994 and was qualified as a Chinese Certified Public Accountant in April 1998. Prior to joining our Company, Mr. Huang worked at Shaanxi Aircraft Manufacturing Industry Company Limited* (陝西飛機製造工業公司) (now known as AVIC Shaanxi Aircraft Industry (Group) Corporation Ltd.* (中航工業陝西飛機工業（集團）有限公司)) as an accountant from July 1988 to December 2004. He then worked as a finance manager for a subsidiary of Shenzhen Zhaotong Investment Joint Stock Company Limited* (深圳市兆通投資股份有限公司) from December 2004 to March 2007 and as an audit manager at Guangdong Chaohua Technology Co., Ltd.* (廣東超華科技股份有限公司) from August 2008 to March 2011.

Ms. KOU Yue (寇悅), aged 43, was appointed as a vice president on 21 August 2015 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 19 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 Growth Enterprise Market of the 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

The domestic economic situation in 2016 was complicated, and the macro economy downside pressures still existed. The construction industry in China was developing from "brutal growth" to "rational prosperity", with the industrial structure continuing to adjust, and profound changes happening to the reallocation of interests in the industry. Each decoration company conformed to the developments of the time, and speeded up its pace of transformation and upgrading, which leading to an improvement on operational revenue growth.

The market demand of the architectural decoration industry relies much on the overall macro environment and government's relevant needs. On one hand, the decoration industry still faces the fierce competition by the impact of macro economy downside pressure of this year. On the other hand, due to positive policy impact for acceleration of new urbanization, and the rebound of real estate industry with increasing needs on renovation and decoration of all kinds of houses, the Group's annual growth on performance was still stable.

BUSINESS REVIEW

The year 2016 is of significant meaning to speed up the development of the Group, marking the successful completion of the public offering and the listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016, which means a milestone for the Group. Being a listed company contributes to the further development of the Group's business, strengthens the Group's capital base and enhances the corporate image and brand awareness.

The Group is one of the top 20 building decoration service providers in the PRC in 2015 according to the Frost & Sullivan Report, with our headquarter located in Shenzhen, Guangdong Province. 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.

The Group provides professional and comprehensive building decoration services that mainly cover four areas (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works for public and private customers (including state-owned enterprises, government authorities and institutions, listed companies, foreign-invested enterprises, property developers and property management companies). The Group has projects covering a wide range of building and properties categories, including commercial buildings, office buildings, industrial buildings, residential buildings, public buildings and infrastructures and hotels. The Group has established an extensive service network by setting up 23 branch offices and representative offices in 18 provinces, autonomous regions and municipalities in the PRC. For the year ended 31 December 2016, the Group acted as a subcontractor and was engaged in approximately 327 projects (each with a contract value of more than RMB1 million) in the PRC, the total contract value of which amounted to approximately RMB3,751.9 million and among which approximately 75 projects with each contract value of more than RMB10 million and approximately 11 projects with each contract value of more than RMB50 million.

Since 2013, the Company has been awarded as "High and New-Technology Enterprise (高新技術企業)" ("**HNTE**") by relevant PRC governmental authorities and has been enjoying a preferential Enterprise Income Tax ("**EIT**") 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 increased by 4.1% from approximately RMB1,659.7 million for the year ended 31 December 2015 to approximately RMB1,728.5 million for the year ended 31 December 2016. The increase in the revenue was mainly due to the commencement of three projects with higher contract value, each with total contract value of over RMB100 million in the late 2015 and early 2016 which contributed to our revenue for the year ended on 31 December 2016.

The Group's gross profit increased by 3.6% from approximately RMB197.7 million for the year ended 31 December 2015 to approximately RMB204.8 million for the year ended 31 December 2016 mainly due to the increase in business activities of the construction contracting business for the reasons discussed above. The gross profit margin remained stable at 11.8% and 11.9% for the year ended 31 December 2016 and 2015 respectively.

Other income — net

Other income mainly represents income from government grants and net rental income. Government grants consist building allowance for corporations, subsidies and reimbursement for borrowing cost. Rental income is derived from investment property of commercial offices in Shenzhen, China.

Other income — net increased by 137.8% from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB2.4 million for the year ended 31 December 2016 primarily because of an increase in the government grants.

Administrative expenses

The administrative expenses were stable at approximately RMB61.2 million and approximately RMB61.1 million for the year ended 31 December 2016 and 2015 respectively.

Finance costs — net

Finance costs — net were stable at approximately RMB14.4 million and approximately RMB15.0 million for the year ended 31 December 2016 and 2015 respectively.

Income tax expense

Income tax expense increased by 8.5% from approximately RMB18.1 million for the year ended 31 December 2015 to approximately RMB19.6 million for the year ended 31 December 2016 primarily because of an increase in the provision of tax as a result of the increased profit. The applicable income tax rate maintained at around 15% from the year ended 31 December 2015 to the year ended 31 December 2016.

Profit for the year

Profit for the year increased by 6.9% from approximately RMB100.7 million for the year ended 31 December 2015 to approximately RMB107.6 million for the year ended 31 December 2016. The net profit margin remained stable at 6.2% and 6.1% for the years ended 31 December 2016 and 2015, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The increase of the Group's cash and cash equivalents is primarily due to the net proceeds received from the global offering of H shares of the Company ("**Global Offering**") completed in November 2016 and the increase of interest-bearing bank borrowings. As of 31 December 2015 and 2016, the Group had cash and cash equivalents of approximately RMB99.2 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 and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank borrowings. 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. Amounts due from customers for contract work

The amounts due from customers for contract work increased from approximately RMB746.2 million as of 31 December 2015 to approximately RMB763.7 million as of 31 December 2016. 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 submission of interim progress payment and the endorsement on the project progress report. Such increase was in line with the increase in the number of projects under construction during 2016.

2. Trade and other payables

Trade and other payables decreased from approximately RMB563.2 million as of 31 December 2015 to approximately RMB417.8 million as of 31 December 2016 primarily due to a decrease in the trade payables because of our timely settlement due to better payment control during 2016.

3. Borrowings and charge on assets

As of 31 December 2016, the Group relied on interest-bearing bank borrowings in the amount of approximately RMB310.0 million (31 December 2015: approximately RMB246.4 million) which are repayable within 1 year. As of 31 December 2016, the Group did not have any inter-company borrowings.

4. Gearing ratio

The gearing ratio was 2.8% as at 31 December 2016 while the ratio as at 31 December 2015 was 23.7%. The decrease was mainly attributable to an increase in the total equity.

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 decreased from approximately RMB5.3 million for the year ended 31 December 2015 to approximately RMB0.3 million for the year ended 31 December 2016 primarily because of the Group has made sufficient investments in the previous years to satisfy the needs of the business operations during the year.

6. Capital Commitments

As at 31 December 2016, the Group had no capital commitment.

7. Contingent Liability

As at 31 December 2016, 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 31 December 2016.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2016, the Group had total of 284 employees. In 2016, the Group incurred total staff costs of approximately RMB23.3 million (2015: RMB21.9 million).

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 2016, the Company has not utilized any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

FUTURE PROSPECTS

The building decoration industry had experienced a rapid growth period of two decades, and now appearing signs of a significant slowdown in performance growth. The investment growth fell faster in the first half of this year, but the infrastructure investment of the second half of this year increased with a rebound in investment growth for a few months, and therefore caused to the boost of fundamentals and evaluations of the decoration companies. Given to the positive growth of the total social investments, the market capacity of the decoration industry did not appear to significant shrinking although its slowdown would be a long-term trend.

The Group's goal is to continue to capture greater market share in Shenzhen and in other provinces and regions in China, as well as expand the presence overseas to become a leading building decoration services provider in selected regions. To achieve this goal, the Group intends to pursue the following strategies:

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

In order to seize market opportunities and strengthen our position in the building decoration industry in the PRC, we intend to further expand the geographical coverage of our services. We intend to establish up to 15 branch offices in cities and regions such as Shanghai, Wenzhou, Ganzhou, Guizhou Province and Guangxi Province to capture growth potential of the building decoration industry in these cities and regions. With our substantial experience and solid reputation in the industry, we believe that we are able to penetrate into more second-tier and third-tier cities in the PRC. Meanwhile, we also intend to optimise our branch network by upgrading all of our five existing representative offices in Tianjin, Nanjing, Zhengzhou, Urumqi and Dunhuang to branch offices, as upgrading from representative offices to branch offices will not only enhance the confidence of our existing and prospective customers, but also increase the number of potential projects that our Group is able to undertake as having a local branch office is a pre-requisite for tendering in some cities in the PRC.

2. Establish an internal online platform for central procurement of raw materials and a logistics centre to facilitate the storage and delivery of raw materials

In order to effectively reduce the costs of raw materials and maintain the Group's profit margins in the Group's projects, the Group has established a central procurement system for the purchase of our major raw materials. To further manage the costs of raw materials and enhance the Group's effectiveness in the procurement process, the Group intends to internally develop an internal online supply-chain management platform which aims to serve as a centralised procurement online platform for the Group's existing and prospective suppliers, and a logistics centre to facilitate the storage and delivery of raw materials.

3. Strengthen the Group's research and development capabilities and establish a research and development laboratory

Due to increasing awareness of environmental protection in the PRC in recent years, the Group's customers are beginning to request for the use of materials that are safer and more environmentally friendly when the Group carries out its building decoration works. In order to respond to changes in customer preferences and anticipate the trend of the building decoration industry, the Group intends to strengthen its research and development capabilities, with a particular focus on the research and development of (i) materials, work techniques and procedures that are safer and more environmentally friendly; and (ii) cutting-edge and innovative technologies that will enhance our work efficiency and the quality of our works. In addition, the Group intends to enhance the synergies between the new products and technologies developed by it and the Group's on-site application of such products and technologies. The Directors believe that all of the above will serve to promote the corporate image of the Group and enhance the overall competitiveness of its services.

In order to achieve these purposes, the Group intends to establish a research and development laboratory in the Group's headquarters, which will act as a hub of research and development, standardised management and engineering solutions formulation. The research and development laboratory is expected to be completed in four years' time and its construction is expected to commence in 2017 after obtaining all requisite licences and approvals. In preparation for the establishment of the research and development laboratory, the Group intends to attract and recruit more experienced professionals with expertise in the research and development in the building decoration industry, as well as improve the Group's existing research and development hardware. The Group will also seek research and business collaboration opportunities in respect of building decoration with universities and institutions in the PRC.

4. Strengthen the Group's internal design capabilities

The Group possesses Grade A Professional Building Decoration Engineering and Design* (建築裝飾工程設計專項甲級) and Grade A Professional Curtain Wall Engineering and Design* (建築幕牆工程設計專項甲級). These qualifications and licences allow the Group to undertake interior, exterior design and curtain wall design works without limitations on the contract value.

In order to better cater for the needs of our customers and make full use of the Group's design qualifications and licences, the Group intends to strengthen the Group's in-house design capabilities by upgrading the Group's design system and recruiting more design professionals. The Directors believe that, with the Group's enhanced in-house design capabilities, the Group will be able to offer a wider variety of interior and building decorative styles and designs to the Group's customers, which will enable the Group to attract more customers and obtain more design projects. The Directors believe that all these will enhance the Group's performance and increase the Group's income from the Group's design services, thereby enabling the Group to strengthen our market position and maintain the Group's competitiveness in the building decoration industry in the PRC.

5. Enhance the efficiency of the Group's internal IT system

The Directors believe that the upgrade of the Group's internal integrated IT infrastructure for business management is essential for the improvement of our efficacy and management, as well as for the reduction of operational costs. In order to manage our projects more efficiently, the Group plans to improve and upgrade the Group's internal integrated IT infrastructure for business management, including the Group's enterprise office automation system, remote project scheduling and management system, accounting system, and information system for engineering design. The Directors believe that such improvements and upgrades will significantly contribute to the improvement of the Group's management capabilities.

The Board hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is building decoration service that mainly cover four areas, namely (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works. The activities of the subsidiaries are set out in Note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2016 and the financial position of the Group as at 31 December 2016 are set out in the audited consolidated financial statements in this report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 31 December 2016 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 in this annual report.

A summary of the results and of the assets, liabilities and equities of the Group for the years ended 31 December 2013, 2014, 2015 and 2016 is set out on page 3 in this annual report.

KEY RISKS AND UNCERTAINTIES

Business and Market

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

In addition, the Group is susceptible to the adverse changes in national or local policies related to the PRC real estate industry and construction industry, including those that control the supply of land for property development, project financing, foreign investment and taxation. During the year, the PRC Government implemented various regulations and policies aimed to cool down 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 properties outside the province of registered residence, restrictions on real estate loans and higher interest rates for second-hand property transactions, among others. 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. 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 market 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 statements.

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 2016, 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 2016 to the date of this report.

ENVIRONMENTAL PROTECTION

The environmental protection policy adopted by the Group is set out in the section head "Environmental, Social and Governance Report" on pages 24 to 27 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, have a proven record of successfully operating and expanding the business. Therefore, the Group ensures 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 has 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 2016 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%

Detail of the shares issued during the year ended 31 December 2016 are set out in Note 23 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

DONATIONS

Charitable and other donations made by the Group during the year are set out on page 27 in this annual report.

PUBLIC FLOAT

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

PROPERTY AND EQUIPMENT

For the year ended 31 December 2016, the Group acquired additional property and equipment of approximately RMB1.0 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 2016, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in Consolidated Statement of Changes in Equity, of which details of reserves available for distribution to Shareholders are set out in Consolidated Statement of Changes in Equity.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 31 December 2016 represented approximately 23.1% (31 December 2015: 7.4%) and 44.3% (31 December 2015: 27.1%), 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 2016 represented approximately 18.8% (31 December 2015: 14.3%) and 34.1% (31 December 2015: 45.0%), 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. LI Bingren (李秉仁先生)
Mr. FUNG Yat Sang (馮逸生先生)
Mr. LIN Zhiyang (林志揚先生)

SUPERVISORS

Mr. LUO Jianming (羅建明先生)
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.

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 of the Listing Date to 31 December 2016, 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 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 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	8,075,000 (Domestic Shares)	5.10%	3.83%

Notes:

1. The calculation is based on the percentage of Shareholdings in 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 Investment Entity (Limited Partnership) (深圳共享利投資企業（有限合夥）) ("**Shenzhen Gong Xiang Li**"), a limited partnership entity established under the PRC laws of which Ms. YE Weiqing (葉偉青) is its executive partner, is owned as to 66.32% by Mr. YE Guofeng (葉國鋒), our Executive Director. In light of the above, YE Weiqing and YE Guofeng are 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 the Listing Date to 31 December 2016, 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 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%
Shenzhen Gong Xiang Li *(Note 7)*	Domestic Shares	Beneficial Owners	8,075,000	5.10%	3.83%
YE Guofeng (葉國鋒) *(Note 7)*	Domestic Shares	Interest in a controlled corporation	8,075,000	5.10%	3.83%
YE Weiqing (葉偉青) *(Note 7)*	Domestic Shares	Interest in a controlled corporation	8,075,000	5.10%	3.83%

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 2016, (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 35.6% by Shenzhen Co-

Win Venture Capital, 15.9% by Zheng Wei He, 15.9% by Huang Li, 10.5% by Shenzhen Co-Win Victory LP, 7.1% 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, 4.5% by Ding Bao Yu, 2.6% by Ma Weiguo (馬衛國), 1.2% by Tang Zhongcheng (唐忠誠), with the remaining 6.7% 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. Shenzhen Gong Xiang Li, a limited partnership entity established under the PRC laws of which Ms. YE Weiqing (葉偉青) is its executive partner, is owned as to 66.32% by Mr. YE Guofeng (葉國鋒), our Executive Director. In light of the above, YE Weiqing and YE Guofeng are deemed to be interested in all the shares held by Shenzhen Gong Xiang Li.

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

During the year ended 31 December 2016, 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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and 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 2016, the Group entered into transactions with related parties which are set out in Note 29 to the consolidated financial statements.

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 statements.

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 Group 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 Group. The Group regularly review and determine 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 Xiujing 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.

The Group entered into the Deed of Non-Competition with the Controlling Shareholders on 16 September 2015, under which the Controlling Shareholders agreed not to, and to procure their subsidiaries and respective close associate(s) (as appropriate) (other than the Group) not to, compete, either directly or indirectly, with the principal business and other businesses, 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.

PERMITTED INDEMNITY PROVISION

At no time during the financial year were there any permitted indemnity provisions in force for the benefit of one or more directors of the Company.

At the time of approval of this report, there are no permitted indemnity provisions in force for the benefit of one or more directors of the Company.

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 2016 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, the PRC, 24 March 2017

* *For identification purpose only*

The Board of Supervisors consists of three Supervisors, namely Mr. LUO Jianming (羅建明), Mr. WU Hanguang (吳漢光) and Mr. YE Xian (葉縣).

WORK OF THE BOARD OF SUPERVISORS

During the year ended 31 December 2016, 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 Group as well as the performance of duties of Directors and senior management, thereby promoting the Group's standard operation and healthy development.

As the Company was listed on the Stock Exchange on 25 November 2016, one meeting of the Supervisory Committee was held on 24 March 2017 to consider the 2016 consolidated financial statements of the Group and the report of Supervisory Committee for 2016 and the 2016 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 Group 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 Group 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 considered that the Board earnestly implemented the resolutions approved by the general meetings.

In 2017, 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 Group as well as any significant development of the Group, so as to facilitate the profit growth of the Group and to dutifully protect the interest of all Shareholders of the Company.

On Behalf of the Supervisory Committee
Mr. LUO Jianming
Chairman

Shenzhen, the PRC, 24 March 2017

This report is prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide published by the Hong Kong Stock Exchange. The Board has the overall responsibility of overseeing the Group's ESG strategy, policies and reporting; it monitors ongoing compliance and seeks continuous improvement in the Group's operations to minimize its carbon footprint on the environment through enhancing the efficiency of its business operation, use of resources and applying environmental friendly measures for sustainable development.

ENVIRONMENT

The Group is principally a professional and comprehensive building decoration services provider in Shenzhen over the years. As at 31 December 2016, the Group had 18 branches and had conducted its business through its headquarters in Shenzhen. The Group had 18 branch offices in major cities and regions across the PRC such as Beijing, Chongqing, Guangzhou, Wuhan, Chengdu, Xining, Yinchuan, Wuxi and Huizhou, and five representative offices in Tianjin, Nanjing, Zhengzhou, Urumqi and Dunhuang. The Group had operated the above branches within the business scope of the Company set forth above as at the date of this annual report.

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 Group's Directors are of the view that the annual cost of compliance with the applicable environmental protection laws, regulations, policies and standards was not material during the year ended 31 December 2016 and the cost of such compliance is not expected to be material going forward. The Group believes that it has adopted adequate measures to minimise wastage and pollution during its work process and such measures are in line with the industry practices and in accordance with the applicable environmental protection laws, regulations, policies and standards.

EMISSIONS

In the global trend of emission reduction, the Group not only complies with environment laws, but also conforms to leading industry practices in order to reduce the emission of greenhouse gases and other wastes. The main emissions generated at the building decoration projects in Shenzhen include wastes, polluted water and exhaust gas. In this regard, the Group had formulated clear desktop procedures and working instructions for handling such emissions respectively.

The Group has internal manuals for the prevention of emission of hazardous chemicals. For example, the Group has a manual for the prevention of pulled water. For waste water from general inspection, hypertriton washing and workshop cleaning, such water is ushed into sewage treatment plants through urban sewage pipe networks together with the sanitary sewage of the employees. Polluted water from the building decoration projects is also classified and managed. Waste solutions with chemicals are treated as hazardous waste. These solutions are collected in containers and delivered to professional institutions for further handling and are prohibited from ushing into the sewage pipe networks. Also, employees are strictly prohibited from washing equipment or placing chemicals near the rain waterpipe networks in order to prevent pollution.

The emissions from the Group's building decoration projects in Shenzhen are classified into recyclables, non-recyclables and hazardous waste which have been disposed systematically. To support recycling, relevant departments of the Group scheduled qualified contractors to recycle materials such as packaging carton, waste plastics and scraps. As for household refuse or wastes which are difficult to recycle, the Group delivers them to local environmental sanitation departments for proper handling. Hazardous waste generated from building decoration projects are stored temporarily in a warehouse with anti-corrosion flooring and leakage, to be later collected by licensed contractors for further treatment to prevent chemical leakage and land pollution which would otherwise be hazardous to the surroundings of the plant. The Group is researching the optimization of its production processes in order to reduce wastage at source, such as using water instead of alcohol in cleaning and using rechargeable batteries instead of disposable batteries.

USE OF RESOURCES

The Group understands that an excellent resource management system can improve the efficiency of utilization of resources. Resources consumed in the building decoration projects and offices of the Group in Huidong and Shenzhen are mainly electricity, fuel, water and paper. The Group's Energy Resource Control Procedures have been formulated to engage different departments in monitoring the use of resources, specifying the duties and authority of relevant staff members, setting work procedures, reducing resource consumption and avoiding waste of resources.

Measures aimed at controlling the use of the electricity and fuel in air conditioning, lighting, machinery and vehicles, as well as the water consumption in its operations and daily usage by the Group's staff are put in place. For example, the use of Air Conditioning Management System has been implemented across all production lines and offices, which sets out guidance for the usage, management and maintenance of air conditioners, alongside measures such as zoning cooling and regular cleaning to ensure that air conditioners maintain the best energy efficiency. The Group also arranges for its equipment and vehicles to undergo regular maintenance in order to improve the performance of equipments and to dispose high energy consumption equipments as part of its continuous efforts to conserve resources at source. Furthermore, relevant units of the Group inspects taps and valves etc. from time to time, and installs water meters at different facilities to record water consumption and ensure timely identification and follow-up of any abnormal water consumption.

The Group believes that setting a clear target is necessary to further improve the efficient use of resources. The Group's departments have been recording and accounting for the electricity, fuel, lubricant, water and paper consumed within the plant. All of the departments are required to cooperate in setting quantitative targets of resource consumption in the future and improving the efficiency of use of resources in their daily operation based on those statistics collected.

SAFETY AND HEALTH

The Group insists that the safety risks of different jobs should be identified and evaluated so that occupational injuries and diseases can be prevented effectively. Based on the situation of the construction projects, the Group implemented Occupational Health Management Regulation (員工職業健康管理規定) as a fundamental implementation to improve safety of equipment and site management. Occupational safety and health are taken into consideration before the manufacturing layouts were finalized; the layouts are designed to divide hazardous and non-hazardous working processes, and to separate risky operation areas from the staff's living quarters as much as possible. Furthermore, explosion-proof lighting and electrical isolation devices have been installed in the plant, while dangerous chemicals are strictly classified and stored at the operation area at a minimum quantity not more than necessary for production to prevent any leaks, combustion or explosions.

The Group is committed to providing a safe and healthy working environment for its employees and workers. The Group has adopted work safety measures to prevent the occurrence of industrial accidents and reduce construction risks, and its occupational health and safety management system has obtained certification to OHSAS 18001. Moreover, the Group issues safety guides according to the needs of different positions and provide its staff with adequate protective equipment as required. The Occupational Safe Operation Control System (職業健康安全運行控制制度) has been implemented to set out specific safety operation procedures to the staff. The Group has in place construction safety and fire safety guidelines, and its safety management system includes, among others, safety training to its employees, regular on-site safety inspections, requiring its workers to use safety equipment and ensuring that all technical staff, such as electricians and welders, have received specialized 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 also publishes the inspection results of the hazard factors on a bulletin board set up in the project sites to raise awareness among its staff. The Group's safety officer is responsible for purchasing, checking and accepting the protective products which should strictly comply with national and industrial standards. The officer is also responsible for distributing the equipment on-demand, and replacing them regularly after evaluating the specific needs for each type of work. Department managers and the safety officers may carry out on-site inspections to ensure the proper use and maintenance of protective equipment.

The Group offers comprehensive physical examination and creates occupational health monitoring for the staff. In 2016, an annual physical examination was offered to all staff at the expense of over RMB15,000. Additional specialized physical examination has been arranged for staff members who are exposed to occupational hazard at the time of job commencement, during their service, during transfer of employment and at their resignation. If one or multiple suspected cases of occupational illness are found, the Group will arrange job transfers, treatment and diagnosis or even conduct a complete inspection of the plant in compliance with opinions of the regulatory authorities in order to identify the causes and remedy the situations swiftly.

The Group understands that on top of all of the Group's facilities, active participation from the Group's staff is required for successful safety and health management. The safety education and training system has been formulated and implemented by the Group to offer comprehensive safety training to its staff in different positions and levels. Besides annual training, special training is offered before the commencement of the building decoration projects to ensure that its operators have a full command of its technical requirements, reducing the chance of mishandling. In the unfortunate event of incidents, the Group takes them as lessons for on-site training to further enhance its staff's safety awareness.

The Group is also dedicated in creating the ideal working environment through its employment policies. From recruitment, promotion, remuneration, vacation to other benefits, the Group has a fair and transparent management system to evaluate its staff only on the merits of their professional ethics, personal quality and ability to work, and we never treat its staff differently by race, age, gender or religion. In the Recruitment Management System and Promotion Management System of the Group, the recruitment and promotion processes as well as evaluation principles are expressly stated, and the roles and responsibilities of the management, HR and other departments are clearly defined, thus fair competition and merit-based selection are both guaranteed. The Staff Manual is provided to the new recruits for them to clearly understand their rights and responsibilities in group culture, employment arrangements, codes of conduct and career development.

The Group respects each of its employees and attempt to balance their work and life through a variety of personalized arrangements and leisure activities. In 2016, seasonal food and gifts distributed to its staff for Chinese traditional festivals amounted to RMB100,000, and female staff were entitled to a half-day leave on Women's Day. The Group also encourages its staff to exercise in order to reduce work related stress and to develop a team spirit. The Group believes that these activities will not only improve work efficiency, but will also enhance the sense of belonging among its staff members.

The Group is committed to the protection of human rights and clearly understand that child and forced labour are serious violations of fundamental human rights and the International Labour Conventions. As such, a strict age review has been implemented in the recruitment process in accordance with the relevant laws and regulations. Additional background investigation will be launched if concerns were raised on the age of an applicant. The Group will sign and execute employment contracts only under the principle of legality and consent, and we never use any illegal or unfair means to restrict the employment relationship.

SUPPLY CHAIN MANAGEMENT

Given strong market competition, The Group's customers are expecting no less than the usual high standards of its products and services. The Group is convinced that the only way to seek long-term trust and support is to create maximum value for its customers. The Group strives to reach a high standard of corporate ethics in its supply chain management, internal controls and product quality assurance in order to ensure compliance with standards established by laws and regulations and to meet the expectations within the industry and its customers.

The Group continuously performs due diligence on suppliers through the performance evaluation system, where we re-evaluate the suppliers annually, scoring in the on-time delivery rate, pass rate, customer complaints and other factors to quantify the performance of suppliers. If the suppliers' assessment results or the quality of materials supplied are poor, quality assurance engineers or third-party auditors will inspect its plant and sanction improvements within a prescribed deadline, while more serious violators will even be disqualified immediately. The Group implements the Inspection and Test Control Process in the production process, and continues to monitor the quality of external supplies throughout the warehousing and production stages. As a result, there are stringent systematic controls on upstream supply chain, throughout the stages of supplier selection, supplier management to supplies quality reassurance.

LABOUR STANDARDS

The Group has a set of human resources management policies and procedures in place. Those policies and procedures not only ensure the Group's compliance of the relevant labor laws and regulations in places where it operates, it also sets out the Group's standard of staff recruitment, promotion guidelines, remuneration scale, work hours, rest breaks, holidays as well as termination of employment and compensation matters and for prevention of child labor or forced labor. Labor contracts or employment agreements are entered into between the Group and the employees, which clearly state relevant details in order to safeguard mutual interest and benefits.

ANTI-CORRUPTION

The Group values credibility and integrity and follows the principle of fairness in its daily operation. The Group's management holds regular study session of those mandatory laws and regulations applicable to its industry and incorporates them into its daily operation management and at the same time makes it a code of internal management conduct. Employees of the Group are required to adhere to ethical standards as well as laws and regulations, and be dedicated to their duties in their daily work. The Group also communicates in-house rules and requirements, external laws and regulations to staff members through meetings and staff communication activities, etc. with a view to emphasizing compliance with relevant laws and regulations, upholding ethical standards and turndown of temptations to prevent corruption and money laundering activities. The Group has formulated relevant guidelines and monitor practices. These will be investigation upon receipt of any complaints of unethical behaviors. Any confirmed unethical conducts after investigation will be strictly handled according to rules and when in breach of law will be reported to local authorities in accordance with the relevant applicable laws. During the year under review, neither the Group nor its employees were involved in any breach of law or any legal proceeding in connection of corruption.

The Group is also committed to the prevention of corruption and it strictly complies with the applicable laws of areas of its operations and markets. The Group has published an Announcement Regarding Acceptance of Anti-Corruption and Bribery Report (關於受理反舞弊舉報信息的公告). This internal policy had been formulated and implemented years ago to clarify the standards of conduct which its staff and senior management must comply with. Amongst other things, these policies explain the principles of handling of tenders, gifts, hospitality and donations. In addition, the Group has clearly set out the responsibilities of different departments in conducting anti-corruption work such as recording financial transactions, auditing business partners and carrying out regular internal audits, etc. to ensure that the policies are implemented effectively. The Group offers anti-corruption training for new recruits to develop corporate culture of honesty and integrity. The Group also complies with applicable laws governing health and safety standards, advertising and labelling. The Group's priority is its customers' confidence in its services, and the Group seeks to offer them sufficient information in order to make informed choices.

COMMUNITY CARE

The Group always bears in mind to give back to society and actively participates in charity events including making donations to victims of natural disasters. The Group's management has been adhering to the idea of building harmony in society and among community, and leading staff for active involvement in organizing and strengthening good community environment, taking active part in organizing and participating in various social activities within the community for promoting and building humanities within harmonious community, enhancing education infrastructures and building community schools. The Group participates in social welfare activities and makes contributions to charitable community donations. The Group's donation for charitable and social service purposes for the year ended 31 December 2016 is HK$1 million (Hong Kong) and RMB5,000 (mainland China) (2015: RMB450,000 (mainland China)).

With the market's focus on corporate behaviour and "social licence to operate", the short-sighted behaviour of generating maximum financial returns to shareholders is no longer the only business management goal. As a responsible company, the Group is committed to extending the Group's efforts from its own operation to the wider society. The Group believes that staff members are the core value-makers in its society. The Group will continue to pool its strengths and commit itself to increase community participation, balance the interests of shareholders and other stakeholders, and strive to bring more positive impact onto its society.

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. As the H Shares were not yet listed on the Stock Exchange until 25 November 2016, the Code Provisions were not applicable to the Company in the period under review. 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 Provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company is negotiating with the relevant insurance agents about the liability insurance for the Directors and will arrange such insurance cover in due course.

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. LI Bingren (李秉仁先生) Mr. FUNG Yat Sang (馮逸生先生) 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 non-executive or 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 the duties and responsibilities as a director under applicable rules and requirements.

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. LI Bingren (李秉仁先生)	√	√
Mr. FUNG Yat Sang (馮逸生先生)	√	√
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. FUNG Yat Sang, Mr. LI Bingren and Mr. LIN Zhiyang. Mr. FUNG Yat Sang currently serves as the chairman of our audit committee.

Pursuant to the meeting of the Audit Committee on 24 March 2017, the Audit Committee has reviewed, among other things, the consolidated financial statements of the Company for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, 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 auditors. No meeting was held by the Audit Committee during the year ended 31 December 2016 because the Company was listed on 25 November 2016.

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. LI Bingren, Mr. YE Guofeng and Mr. FUNG Yat Sang. Mr. LI Bingren currently serves as the chairman of our Remuneration Committee.

Since the Listing Date and up to the date of this annual report, one meeting of the Remuneration Committee was held to review the remuneration policy and structure relating to the Directors and senior management of the Company. No meeting was held by the Remuneration Committee during the year ended 31 December 2016 because the Company was listed on 25 November 2016.

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 2016 are set out in Note 8 to the consolidated financial statements.

The biographies of the senior management are disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of Directors and the senior management (non-Director) for the year ended 31 December 2016 is as follows:

Remuneration band (RMB)	**Number of individuals**
0–1,000,000	11

Note: The 11 individuals include Mr. YE Yujing, Mr. LIU Yilun, Ms. YE Xiujin, Mr. YE Guofeng, Mr. YE Niangting, Mr. TIAN Wen, Mr. LI Bingren, Mr. FUNG Yat Sang and Mr. LIN Zhiyang as Directors, Mr. HUANG Ye, and Ms. KOU Yue as members 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. LI Bingren. Mr. LIN Zhiyang currently serves as the chairman of our Nomination Committee.

Since the Listing Date and up to the date of this annual report, one meeting of the Nomination Committee was held to review the policy for the nomination of Directors the structure, size and composition of the Board and assessed independence of the independent non-executive Directors. No meeting was held by the Nomination Committee during the year ended 31 December 2016 because the Company was listed on 25 November 2016.

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. LI Bingren, Mr. LIN Zhiyang, Mr. LIU Yilun and Mr. YE Guofeng. Mr. YE Yujing currently serves as the chairman of our Strategy Committee.

Since the Listing Date and up to the date of this annual report, one meeting of the Strategy Committee was held to research the Long-term development and Strategic plans of the Company and recommend to the Board the matters that are material to the development of the Company. No meeting was held by the Strategy Committee during the year ended 31 December 2016 because the Company was listed on 25 November 2016.

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 the disclosure in this Corporate Governance Report on Directors' Continuous Training and the 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. As the Company only became listed on the Main Board of the Stock Exchange on 25 November 2016, there was no board committee meeting held during the year ended 31 December 2016. Details of the attendance records of Directors on Board meetings and general meeting for the year ended 31 December 2016 are as follows:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee(Note)**	**Remuneration Committee(Note)**	**Nomination Committee(Note)**	**Strategy Committee(Note)**	**First General Meeting**
Mr. YE Yujing	5/5	N/A	N/A	N/A	N/A	1/1
Mr. LIU Yilun	5/5	N/A	N/A	N/A	N/A	1/1
Ms. YE Xiujin	5/5	N/A	N/A	N/A	N/A	1/1
Mr. YE Guofeng	5/5	N/A	N/A	N/A	N/A	1/1
Mr. YE Niangting	5/5	N/A	N/A	N/A	N/A	1/1
Mr. TIAN Wen	5/5	N/A	N/A	N/A	N/A	1/1
Mr. LI Bingren	5/5	N/A	N/A	N/A	N/A	1/1
Mr. FUNG Yat Sang	5/5	N/A	N/A	N/A	N/A	1/1
Mr. LIN Zhiyang	5/5	N/A	N/A	N/A	N/A	1/1

Note:

1. The H Shares of the Company were listed on the Stock Exchange on 25 November 2016 and there were no meetings convened by the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee during the year ended 31 December 2016.

Subsequent to the year ended 31 December 2016 and up to date of this report, the Board held another Board meeting in March 2017 for the main purposes of approving the annual results of the Group for the year ended 31 December 2016 and formulating business development strategies. All Directors attended such meeting.

Board Proceedings

Meetings of the Board of Directors shall be held regularly at least four times each 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/she may appoint another Director by a written power of attorney to attend on his/her 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/her 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. During the year ended 31 December 2016 there were five 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 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 Group's financial information; monitoring the financial activities of the Group, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Group.

Model Code for Securities Transactions

The Company has adopted the Model Code 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 "Biographical Details of Directors, Supervisors and Senior Management" for further details on Ms. KOU and Mr. LIU'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.

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 complied with Rule 3.29 of the Listing Rules and attended relevant professional training for the year ended 31 December 2016.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group 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 Group 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 recognizes 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 system 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 2016, the fees payable to PricewaterhouseCoopers in respect of its annual audit services provided to the Company was RMB1.3 million. The total fees paid and payable to PricewaterhouseCoopers for the reporting accountant service in relation to the listing of the Company on the Main Board of the Stock Exchange was approximately RMB6.4 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 H share registrar in Hong Kong and upon their confirmation on the shareholding of the requisitionist(s) 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/her written reply concerning his/her 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 reports, notices, announcements and circulars and the Company's website at www.aidewei.cn.

Constitutional Documents

During the year ended 31 December 2016, 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 2016.

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 year ended 31 December 2016 and the cost of such compliance is not expected to be material going forward.

WORKING ENVIRONMENT

Employees

The Group believes that our 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.

As at 31 December 2016, the Group had approximately 284 employees in the PRC. The following table provides a breakdown of the Group's employees by function:

Function	Number of employees
Administration and management	42
Project management	128[1]
Design	27
Research and development	10[2]
Technical support	6
Procurement	6
Sales and marketing	33
Accounting and finance	32
Total	284

Notes:

(1) Of the 128 project management personnel, 112 are project managers. 6 of them have duties in other departments.

(2) Apart from these 10 research and development personnel, 37 of our employees in other departments (of which 29 are project managers) are involved in our research and development initiatives. In order to avoid double counting, these 37 employees are not counted towards "research and development" in this table.

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 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. The Group has adopted work safety measures to prevent the occurrence of industrial accidents and reduce construction risks. Our occupational health and safety management system has met the requirements and been granted certification of 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 fulfilling the corporate social responsibility and continued to dedicate the internal resources to charitable activities. During the year ended 31 December 2016, the Group donated HK$1 million to The Community Chest, a charity institute to provide children and youth services, elderly services, family and child welfare services, medical and health services, rehabilitation and aftercare services, and community development and other services; and RMB5,000 to support the countryside bridge repair in China (in 2015: RMB450,000 donation to the charity institutions in Shenzhen, PRC).

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 41 to 80, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- 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 2016, 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.

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:

- Revenue recognition of construction contracts
- Recoverability of trade receivables and amounts due from customers for contract work

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of construction contracts	
Refer to Note 4(a) and Note 6 to the consolidated financial statements. The Group recognised the revenue from construction contracts amounted to Renminbi ("RMB")1,717,533,000 for the year ended 31 December 2016, representing 99% 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	How our audit addressed the Key Audit Matter
Recoverability of trade receivables and amounts due from customers for contract work	
Refer to Note 4(c), Note 19 and Note 20 to the consolidated financial statements. As at 31 December 2016, the net book value of trade receivables and amounts due from customers for contract work (together as "receivables from construction contracts") amounted to RMB252,536,000 and RMB763,714,000 respectively, accounted for 65% 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, 24 March 2017

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	6	1,728,466	1,659,693
Cost of sales	7	(1,523,678)	(1,461,994)
Gross profit		204,788	197,699
Selling and marketing expenses	7	(4,377)	(3,792)
Administrative expenses	7	(61,200)	(61,114)
Other income — net	9	2,435	1,024
Operating profit		141,646	133,817
Finance income		1,176	238
Finance costs		(15,609)	(15,275)
Finance costs — net	10	(14,433)	(15,037)
Profit before income tax		127,213	118,780
Income tax expense	11	(19,609)	(18,070)
Profit for the year		107,604	100,710
Other comprehensive income		—	—
Total comprehensive income for the year		107,604	100,710
Total profit and comprehensive income attributable to:			
Owners of the Company		107,604	100,710
Earnings per share			
— Basic and diluted (RMB)	12	65.82 cents	63.62 cents

The notes on pages 45 to 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	**79,470**	87,620
Lease prepayments — land use rights	16	**10,218**	10,504
Investment properties	17	**819**	863
Deferred income tax assets	18	**21,682**	18,405
Prepayments and other receivables	21	**11,010**	37,218
		123,199	154,610
Current assets			
Amounts due from customers for contract work	19	**763,714**	746,219
Trade receivables	20	**252,536**	258,282
Prepayments and other receivables	21	**137,395**	76,819
Restricted cash		**843**	—
Cash and cash equivalents	22	**287,613**	99,216
		1,442,101	1,180,536
Total assets		**1,565,300**	1,335,146
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**211,050**	158,287
Share premium	23	**168,472**	17,839
Other reserves	24	**55,254**	43,454
Retained earnings		**349,608**	253,804
Total equity		**784,384**	473,384
LIABILITIES			
Non-current liabilities			
Deferred revenue		**1,847**	1,255
Current liabilities			
Trade and other payables	25	**417,776**	563,193
Amounts due to customers for contract work	19	**39,526**	43,212
Borrowings	26	**310,000**	246,400
Current income tax liabilities		**11,767**	7,702
		779,069	860,507
Total liabilities		**780,916**	861,762
Total equity and liabilities		**1,565,300**	1,335,146

The notes on pages 45 to 80 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 41 to 80 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 23)	Other reserves RMB'000 (Note 24)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	158,287	17,839	32,466	162,994	371,586
Comprehensive income					
— Profit for the year	—	—	—	100,710	100,710
Total comprehensive income	—	—	—	100,710	100,710
Transfer to statutory reserve	—	—	10,141	(10,141)	—
Utilisation of safety reserve	—	—	(241)	241	—
Contribution from shareholder	—	—	1,088	—	1,088
Balance at 31 December 2015	158,287	17,839	43,454	253,804	473,384
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 23)	**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**

The notes on pages 45 and 80 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows used in operating activities			
Cash used in operations	27	**(69,036)**	(51,587)
PRC enterprise income tax paid		**(18,821)**	(27,389)
Net cash used in operating activities		**(87,857)**	(78,976)
Cash flows from investing activities			
Purchases of property and equipment		**(297)**	(5,303)
Refund of deposits for purchases of property and equipment		**—**	50,000
Proceeds from government grants related to assets		**660**	—
Decrease in amounts due from certain third parties		**—**	12,913
Interest received		**482**	238
Net cash generated from investing activities		**845**	57,848
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares		**244,669**	—
Proceeds from borrowings		**348,000**	190,600
Repayments of borrowings		**(284,400)**	(152,200)
Interest paid		**(14,416)**	(15,047)
Decrease in amounts due to certain third parties		**—**	(37,590)
Payment for listing expenses		**(19,138)**	(12,747)
Net cash generated from/(used in) financing activities		**274,715**	(26,984)
Net increase/(decrease) in cash and cash equivalents		**187,703**	(48,112)
Cash and cash equivalents at beginning of the year		**99,216**	147,328
Exchange gains on cash and cash equivalents		**694**	—
Cash and cash equivalents at end of the year	22	**287,613**	99,216

The notes on pages 45 to 80 form an integral part of these consolidated financial statements.

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 address of the Company's registered office 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.

The Company's H shares were listed on the main board of the Stock Exchange of Hong Kong Limited on 25 November 2016.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards were relevant to the Group and have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New standards and amendments to existing 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 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share based payment transactions	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Further information about below HKFRS that is expected to be applicable to the Group is as follows:

HKFRS 15, "Revenue from Contracts with Customers" establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contracts with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an asset-liability approach based on transfer of control. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard is not effective until 1 January 2018. Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements. At this stage, the Group is not able to estimate the effect of the new rules on the Group's consolidated financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

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

HKFRS 9, "Financial Instruments" 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. While the Group has yet to undertake a detailed assessment, it would appear that no impact on the Group's current classification, measurement and derecognition of financial assets and financial liabilities. Hedge accounting is not relevant to the Group. 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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it 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.

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees. The standard replaces HKAS 17 "Leases", and related interpretations, which is effective for annual periods beginning on or after 1 January 2019.

Management is in the process of making an assessment on the impact of these standards, amendments and interpretations to existing HKAS and HKFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2.2 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

(b) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

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.

2.5 Foreign currency translation

(a) 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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property and equipment *(Continued)*

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 the carrying amount and are recognised within "other income — net" in the income statement.

2.7 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. 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 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 to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets

2.10.1 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.

2.10.2 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. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is 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.

2.12 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 the consolidated income statement. 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 the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Inventories

Inventories comprise raw materials and finished goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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 customers 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 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, deposits held at call with banks with original terms within 3 months. 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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.19 Borrowings

Borrowings are recognised initially 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 the income statement 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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, the 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) 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.

(c) 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.

(d) 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 government grants and are credited to the consolidated income statement on a straight — line basis over the expected lives of the related assets.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided or goods sold, stated net of discounts, returns and sales related taxes.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(b) Rendering of services

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

(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 retained by the lessor 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.

2.27 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Research and development *(Continued)*

- 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 owners of the companies comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by these companies' shareholders or directors, where appropriate.

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 cash flow 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

(a) 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 2016, if RMB had weakened/strengthened by 5% against the HKD, while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB9,844,000 higher/lower for various financial assets and liabilities denominated in HKD (2015: nil).

(b) 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 Notes 26. As at 31 December 2016, if the market interest rates had been 50 basis points higher with all other variables held constant, post-tax profit for the year then ended would have been RMB1,136,000 lower (2015: RMB1,030,000 lower), mainly as a result of higher interest expense on borrowings.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

Credit risk mainly arises from bank balances, 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 bank balances are placed in those banks and financial institutions 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 and financial institutions as they have no default history in the past.

In respect of trade receivables, other receivables and amounts due from customers for contract work, 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 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 Notes 19, 20 and 21.

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.

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 date of the consolidated statement of financial position 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 2016	
Borrowings	**319,725**
Trade and other payables	**196,126**
	515,851
As at 31 December 2015	
Borrowings	252,829
Trade and other payables	419,805
	672,634

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, 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 2016 and 2015, the Group's strategy was to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total borrowings (Note 26)	**310,000**	246,400
Less: cash and cash equivalents (Note 22)	**(287,613)**	(99,216)
Net debt	**22,387**	147,184
Total equity	**784,384**	473,384
Total capital	**806,771**	620,568
Gearing ratio	**3%**	24%

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 2016 and 2015.

As at 31 December 2016 and 2015, all of the non-current assets were located in the PRC.

6 REVENUE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue from construction contracts	1,717,533	1,638,229
Design and other income	9,203	12,948
Sales of goods	1,730	8,516
Total	1,728,466	1,659,693

Except for one customer accounted for 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 2016 (2015: no customers individually accounted for more than 10% of the Group's revenues).

7 EXPENSES BY NATURE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Raw materials and consumables used	1,015,971	924,538
Remuneration paid or payable to work forces engaged by the Group	480,213	472,163
(Reversal)/provision for impairment of receivables	(13,140)	18,214
Provisions for foreseeable losses on construction contracts	33,930	8,999
Staff costs (including directors' emoluments) (Note 8)	23,291	21,924
Business and other taxes	21,075	53,641
Depreciation and amortisation expenses	9,468	9,717
Consulting and professional fee	5,136	2,052
Listing expenses	2,645	1,000
Entertainment expenses	1,610	757
Auditors' remuneration of audit service	1,250	120
Trading merchandise consumed	1,271	7,224
Travelling expenses	1,064	1,313
Advertising fee	830	97
Insurance fee	681	650
Office expenses	436	636
Miscellaneous	3,524	3,855
Total cost of sales, selling and marketing expenses and administrative expenses	1,589,255	1,526,900

Note: Research and development expenses during the year ended 31 December 2016 were RMB61,303,000 (2015: RMB64,518,000), which mainly included materials consumed and related staff costs. No research and development expenses had been capitalised for the years ended 31 December 2016 and 2015.

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries, wages and bonuses	20,558	18,965
Housing funds, medical insurances and other social insurances	1,053	1,185
Pension costs — defined contribution plans	1,134	1,276
Other welfare and allowance	546	498
	23,291	21,924

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

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 (iii)	—	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	60	—	—	60
Mr. Fung Yat Sang (ii)	80	—	—	80
Mr. Lin Zhiyang (ii)	80	—	—	80
Supervisors				
Mr. Wu Hanguang	—	121	15	136
Mr. Ye Xian	—	48	6	54
	300	1,961	166	2,427

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 2015 is set out below:

Name	Fees	Salaries and other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ye (i)	—	688	84	772
Mr. Dong Zhiguang (iii)	—	292	36	328
Mr. Ye Niangting	—	360	44	404
Mr. Ye Guofeng	—	246	30	276
Ms. Ye	—	138	17	155
Mr. Liu Yilun (iii)	—	120	15	135
Non-executive director				
Mr. Tian Wen	80	—	—	80
Independent non- executive directors				
Mr. Li Bingren	80	—	—	80
Mr. Guo Yuanxian (ii)	53	—	—	53
Mr. Liu Xuesheng (ii)	53	—	—	53
Mr. Fung Yat Sang (ii)	27	—	—	27
Mr. Lin Zhiyang (ii)	27	—	—	27
Supervisors				
Mr. Wu Hanguang	—	120	15	135
Mr. Ye Xian	—	17	2	19
	320	1,981	243	2,544

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

(ii) On 21 August 2015, Mr. Guo Yuanxian and Mr. Liu Xuesheng, independent non-executive directors, resigned. Mr. Fung Yat Sang and Mr. Lin Zhiyang were appointed as independent non-executive directors accordingly.

(iii) Mr. Dong Zhiguang, an executive director of the Company resigned on 19 September 2015. Mr. Liu Yilun was appointed as an executive director accordingly.

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

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

(iv) 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 2016 were RMB300,000 (2015: RMB320,000). 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 2016 were RMB1,937,000 (2015: RMB2,070,000).

During the year ended 31 December 2016, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor were any payable (2015: same). No consideration was provided to or receivable by third parties for making available directors' services (2015: same). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: 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 ended 31 December 2016 (2015: same)

(b) Five highest paid individuals

For the year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group included four directors (2015: three), whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individuals during the years ended 31 December 2016 and 2015, are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries and other benefits	**344**	627
Contribution to pension scheme	**32**	77
	376	704

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

	Year ended 31 December	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**1**	2

9 OTHER INCOME — NET

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Government grants	**2,053**	747
Rental income from investment properties	**219**	402
Others	**207**	59
	2,479	1,208
Outgoings related to rental income	**(44)**	(184)
	2,435	1,024

10 FINANCE COSTS — NET

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance income		
— Interest income derived from bank deposits	**482**	238
— Net foreign exchange gains	**694**	—
	1,176	238
Finance costs		
— Interest expense on borrowings	**(14,440)**	(15,275)
— Expense for factoring arrangement	**(1,169)**	—
	(15,609)	(15,275)
	(14,433)	(15,037)

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	**22,886**	21,730
Deferred income tax (note 18)	**(3,277)**	(3,660)
	19,609	18,070

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 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 (2015: 15%). All of the other PRC entities of the Group are subject to EIT at a rate of 25% (2015: 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 weighted average tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**127,213**	118,780
Calculated at applicable tax rate	**19,082**	17,817
Expenses not deductible for tax purposes	**442**	175
Unrecognised temporary difference (a)	**85**	78
	19,609	18,070

(a) Unrecognised temporary differences include the 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 2016 and 2015.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**107,604**	100,710
Weighted average number of ordinary shares in issue (thousand shares)	**163,491**	158,287
Basic earnings per share (RMB)	**65.82 cents**	63.62 cents

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2016 and 2015. Diluted earnings per share are the same as the basic earnings per share.

13 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2016 (2015: nil).

14 SUBSIDIARIES

Subsidiaries of the Group as at 31 December 2016 and 2015 are set out as below.

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				RMB'000	
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 of construction engineering; the PRC	10,100	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	500	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	500	100%

15 PROPERTY AND EQUIPMENT

	Buildings	Building improvements	Machinery	Motor vehicles	Furniture and office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015						
Cost	73,247	25,128	31	4,819	5,141	108,366
Accumulated depreciation	(3,813)	(5,809)	(17)	(3,180)	(1,952)	(14,771)
Net book amount	69,434	19,319	14	1,639	3,189	93,595
Year ended 31 December 2015						
Opening net book amount	69,434	19,319	14	1,639	3,189	93,595
Additions	945	—	—	2,620	212	3,777
Disposal	—	—	—	(257)	(64)	(321)
Depreciation	(2,347)	(5,026)	(10)	(1,091)	(957)	(9,431)
Closing net book amount	68,032	14,293	4	2,911	2,380	87,620
At 31 December 2015						
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)
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**

As at 31 December 2016, buildings with net book value amounted RMB17,529,000 (2015: RMB18,549,000) were pledged as collateral for the Group's borrowings (Note 26).

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Selling and marketing expenses	**—**	9
Administrative expenses	**9,182**	9,422
	9,182	9,431

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 2015	
Cost	11,242
Accumulated amortisation	(452)
Net book amount	10,790
Year ended 31 December 2015	
Opening net book amount	10,790
Amortisation	(286)
Closing net book amount	10,504
At 31 December 2015	
Cost	11,242
Accumulated amortisation	(738)
Net book amount	10,504
Year ended 31 December 2016	
Opening net book amount	**10,504**
Amortisation	**(286)**
Closing net book amount	**10,218**
At 31 December 2016	
Cost	**11,242**
Accumulated amortisation	**(1,024)**
Net book amount	**10,218**

As at 31 December 2016, land use rights with net book value amounted RMB10,218,000 (2015: RMB10,504,000) were pledged as collateral for the Group's borrowings (Note 26).

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

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Administrative expenses	**286**	286

17 INVESTMENT PROPERTIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January		
Cost	**1,374**	2,828
Accumulated depreciation	**(511)**	(680)
Net book amount	**863**	2,148
For the year		
Opening net book amount	**863**	2,148
Depreciation	**(44)**	(135)
Disposal	**—**	(1,150)
Closing net book amount	**819**	863
At 31 December		
Cost	**1,374**	1,374
Accumulated depreciation	**(555)**	(511)
Net book amount	**819**	863

(a) As at 31 December 2016, investment properties with net book amount amounting to RMB819,000 (2015: RMB863,000), were pledged as collateral for the Group's borrowings (Note 26).

(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) An independent valuation of the Group's investment properties was performed by the valuer, Great Strategy Real Estate Consultancy Co. Ltd, to determine the fair value of the investment properties as at 31 December 2016 and 2015. The fair value of these investment properties as at 31 December 2016 as assessed by the valuer on an open market value basis was approximately RMB5,730,000 (2015: RMB5,442,000). The valuation of these 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.

(d) During the years ended 31 December 2016 and 2015, all investment properties were located in the PRC with lease periods of 26 to 30 years.

18 DEFERRED INCOME TAX ASSETS

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

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000
Deferred income tax assets		
— to be recovered after more than 12 months	**21,134**	16,213
— to be recovered within 12 months	**548**	2,192
	21,682	18,405

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

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
At 1 January	**18,405**	14,745
Tax credited to the consolidated statement of comprehensive income	**3,277**	3,660
At 31 December	**21,682**	18,405

(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 loss** RMB'000	**Accruals** RMB'000	**Total** RMB'000
At 1 January 2015	4,766	195	8,824	203	757	14,745
Tax credited/(charged) to the consolidated statement of comprehensive income	1,350	(7)	2,517	(144)	(56)	3,660
At 31 December 2015	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**

18 DEFERRED INCOME TAX ASSETS *(Continued)*

(c) Deferred income tax assets are recognised for tax loss 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	
	2016	2015
	RMB'000	RMB'000
Year of expiry of tax losses		
2017	**258**	258
2018	**15**	15
2019	**340**	340
2020	**1,401**	1,401
2021	**567**	—
	2,581	2,014

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Aggregate costs incurred plus recognised profit less foreseeable losses	**2,386,610**	2,170,718
Less: progress billings	**(1,662,422)**	(1,467,711)
	724,188	703,007
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**763,714**	746,219
Amounts due to customers for contract work	**(39,526)**	(43,212)
	724,188	703,007

At 31 December 2016, retentions held by customers for contract work amounted to approximately RMB41,327,000 (2015:RMB44,862,000), and have been included in prepayments and other receivables (Note 21). Advances received from customers for contract work not yet commenced at 31 December 2016 amounted to approximately RMB151,716,000 (2015: RMB100,047,000), and have been included in trade and other payables (Note 25).

20 TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables (a)	**292,614**	305,880
Less: provision for impairment of trade receivables (e)	**(44,809)**	(58,177)
Trade receivables — net	**247,805**	247,703
Notes receivable (d)	**4,731**	10,579
	252,536	258,282

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**148,143**	109,179
6 months to 1 year	**55,635**	45,332
1 year to 2 years	**40,813**	61,902
2 years to 3 years	**18,349**	55,947
Over 3 years	**29,674**	33,520
	292,614	305,880

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 2016 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	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**148,143**	109,179
6 months to 1 year	**55,635**	45,332
1 year to 2 years	**32,910**	41,670
2 years to 3 years	**2,279**	14,169
	238,967	210,350

20 TRADE RECEIVABLES *(Continued)*

(c) As at 31 December 2016, trade receivables of the Group amounted to RMB42,518,000 (2015: RMB72,210,000) were individually assessed and provided with impairments of RMB42,518,000 (2015: RMB53,122,000). 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 2016, notes receivable of the Group were mainly commercial acceptance notes, with due period less than 6 months.

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

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
At 1 January	**58,177**	40,552
Provision for impairment	**1,950**	17,625
Reversal of provision	**(15,318)**	—
At 31 December	**44,809**	58,177

(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 2016, trade receivables with book value totalling RMB100,000,000 (2015: RMB99,239,000), were pledged as collateral for the Group's borrowings (Note 26).

21 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2016 **RMB'000**	2015 RMB'000
Prepayments (a)	**64,723**	35,333
Project reserve funds (b)	**551**	6,139
Deposits (c)	**41,023**	25,441
Retention receivables (c)	**41,327**	44,862
Other receivables (d)	**781**	2,262
	148,405	114,037
Less: non-current portion		
Prepayments for properties	**(2,607)**	(3,342)
Deposits	**(3,466)**	(4,751)
Retention receivables	**(4,937)**	(29,125)
	(11,010)	(37,218)
	137,395	76,819

21 PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Included in prepayments are advances to suppliers and prepayments for properties.

(b) Project reserve funds represented balances held by project managers to facilitate them to manage and operate construction projects at locations away from the head office. The funds were mainly for procurement of additional raw materials, engagement of labour agencies and settlement of other expenses. The level of funds being held by project managers varies with (i) the number of construction projects in progress; (ii) the progress status of construction projects; (iii) the estimated construction progress of construction projects in the coming few months.

(c) 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	
	2016	2015
	RMB'000	RMB'000
Retention receivables	**41,327**	44,862
Deposits	**41,023**	25,441
	82,350	70,303
Among which —		
Neither past due nor impaired	**81,017**	68,420
Past due and partially impaired	**20,425**	20,747
Provision for impairment	**(19,092)**	(18,864)
	82,350	70,303

(d) 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.

22 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in RMB		
— Cash at bank	**55,963**	99,167
— Cash on hand	**19**	49
	55,982	99,216
Denominated in HKD		
— Cash at bank	**231,631**	—
Total	**287,613**	99,216

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of Shares (thousands)	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued and fully paid:				
At 1 January 2015 and 31 December 2015	158,287	158,287	17,839	176,126
Issuance of ordinary shares (a)	52,763	52,763	191,906	244,669
Share issuance costs	—	—	(41,273)	(41,273)
At 31 December 2016	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.

24 OTHER RESERVES

	Statutory reserve RMB'000	Safety reserve RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2015	29,609	2,852	5	32,466
Transfer to statutory reserve	10,141	—	—	10,141
Utilization of safety reserve	—	(241)	—	(241)
Contribution from a shareholder	—	—	1,088	1,088
At 31 December 2015	39,750	2,611	1,093	43,454
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**

(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 its profit after taxation calculated under PRC accounting standards and regulations to the reserve fund, until the accumulated total of the fund reaches 50% of its 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 the Company.

(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 2016 and 2015. 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 statement of comprehensive income as incurred.

25 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables (a)	**175,114**	410,380
Advances from customers	**151,716**	100,047
Other tax payables	**61,662**	36,942
Payables for listing expenses	**10,792**	2,796
Payroll payable	**8,272**	6,399
Other payables	**10,220**	6,629
	417,776	563,193

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 6 months	**157,858**	396,723
6 months to 1 year	**1,718**	6,902
1 year to 2 years	**13,322**	4,159
2 years to 3 years	**2,216**	2,596
	175,114	410,380

26 BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Bank borrowings — secured	**310,000**	246,400

As at 31 December 2016 and 2015, 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 2016 was 5.40% (2015: 6.30%) per annum.

As at 31 December 2016 and 2015, 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 20) and guarantees provided by subsidiaries of the Group and certain guarantee companies.

27 CASH USED IN OPERATIONS

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**127,213**	118,780
Adjustments for:		
— Depreciation of property and equipment and investment properties	**9,226**	9,566
— Amortisation of land use right	**286**	286
— (Reversal)/provision for impairment of trade and other receivables	**(13,140)**	18,214
— Provision for foreseeable losses on construction contracts	**33,930**	8,999
— Financial costs — net	**13,264**	15,037
— Amortisation of deferred revenue	**(68)**	(47)
	170,711	170,835
Changes in working capital:		
— Inventories	**—**	1,188
— Amounts due from/to customers for contract work	**(55,111)**	(170,518)
— Trade receivables, prepayments and other receivables	**(30,760)**	(24,105)
— Trade and other payables	**(153,033)**	(28,987)
— Changes of restricted cash on operating activities	**(843)**	—
Cash used in operations	**(69,036)**	(51,587)

28 COMMITMENTS

(a) Capital commitments

As at 31 December 2016 and 2015, the Group had the following capital commitments:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property and equipment contracted but not provided for	**—**	652

28 COMMITMENTS *(Continued)*

(b) Operating leases rental receivables — as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
No later than 1 year	**227**	227
Later than 1 year and no later than 5 years	**585**	812
	812	1,039

29 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other benefits	**2,847**	2,927
Contribution to pension scheme	**228**	379
Total	**3,075**	3,306

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**10,565**	10,704
Property and equipment	**78,828**	86,931
Investment properties	**819**	863
Deferred income tax assets	**21,682**	18,405
Prepayments and other receivables	**11,010**	37,218
	122,904	154,121
Current assets		
Amounts due from customers for contract work	**763,714**	746,219
Trade receivables	**252,536**	258,282
Prepayments and other receivables	**137,395**	76,819
Amounts due from subsidiaries	**11,540**	11,420
Restricted cash	**843**	—
Cash and cash equivalents	**287,507**	99,148
	1,453,535	1,191,888
Total assets	**1,576,439**	1,346,009

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

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

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	**211,050**	158,287
Share premium (a)	**168,472**	17,839
Other reserves (a)	**55,234**	43,434
Retained earnings (a)	**351,235**	254,995
Total equity	**785,991**	474,555
LIABILITIES		
Non-current liabilities		
Deferred revenue	**1,847**	1,255
Current liabilities		
Trade and other payables	**417,776**	563,193
Amounts due to customers for contract work	**39,526**	43,212
Borrowings	**310,000**	246,400
Amounts due to subsidiaries	**9,532**	9,692
Current income tax liabilities	**11,767**	7,702
	788,601	870,199
Total liabilities	**790,448**	871,454
Total equity and liabilities	**1,576,439**	1,346,009

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2017 and was signed on its behalf.

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

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

(a) Reserve movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	17,839	32,446	164,184	214,469
Comprehensive income				
— Profit for the year	—	—	100,710	100,710
Total comprehensive income	—	—	100,710	100,710
Transfer to statutory reserve	—	10,141	(10,141)	—
Utilisation of safety reserve	—	(241)	241	—
Contribution from shareholder	—	1,088	—	1,088
Balance at 31 December 2015	17,839	43,434	254,994	316,267
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**