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Yuanda China Holdings Limited
遠 大 中 國 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2789)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "**Board**") of Yuanda China Holdings Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2014 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	First Half of 2014	First Half of 2013	Percentage increase/ (decrease)
Turnover *(RMB million)*	**4,144.9**	4,739.5	(12.5%)
Gross profit margin	**14.3%**	7.6%	6.7%
Loss attributable to equity shareholders of the Company *(RMB million)*	**(133.2)**	(269.6)	(50.6%)
Net cash used in operating activities *(RMB million)*	**(1,916.2)**	(1,773.4)	8.1%
Basic and diluted loss per share *(RMB cents)*	**(2.2)**	(4.3)	(48.8%)
Proposed final dividend per share *(HK cents)*	**NIL**	NIL	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2014**	2013
		RMB'000	*RMB'000*
Turnover	*3*	**4,144,907**	4,739,501
Cost of sales		**(3,553,837)**	(4,378,076)
Gross profit	*3(a)*	**591,070**	361,425
Other revenue		**2,699**	5,918
Other net income		**3,708**	1,999
Selling expenses		**(70,722)**	(91,368)
Administrative expenses		**(535,826)**	(516,090)
Loss from operations		**(9,071)**	(238,116)
Finance costs	*4(a)*	**(91,210)**	(172,354)
Loss before taxation	*4*	**(100,281)**	(410,470)
Income tax	*5*	**(22,105)**	75,232
Loss for the period		**(122,386)**	(335,238)
Attributable to:			
Equity shareholders of the Company		**(133,227)**	(269,635)
Non-controlling interests		**10,841**	(65,603)
Loss for the period		**(122,386)**	(335,238)
Loss per share (RMB cents)			
– Basic and diluted	*6*	**(2.15)**	(4.34)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Loss for the period	**(122,386)**	(335,238)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**(17,603)**	70,312
– Cash flow hedge: net movement in the hedging reserve	**(58,760)**	61,384
Other comprehensive income for the period	**(76,363)**	131,696
Total comprehensive income for the period	**(198,749)**	(203,542)
Attributable to:		
Equity shareholders of the Company	**(204,156)**	(142,131)
Non-controlling interests	**5,407**	(61,411)
Total comprehensive income for the period	**(198,749)**	(203,542)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2014** *RMB'000*	At 31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**817,512**	829,175
Lease prepayments		**590,685**	597,338
Deferred tax assets		**289,313**	237,903
		1,697,510	1,664,416
Current assets			
Inventories		**376,230**	417,325
Gross amount due from customers for contract work	*7*	**5,854,704**	5,152,193
Trade and bills receivables	*8*	**2,603,684**	2,843,223
Deposits, prepayments and other receivables		**650,295**	583,567
Cash at bank and on hand		**1,168,052**	3,273,800
		10,652,965	12,270,108
Current liabilities			
Trade and bills payables	*9*	**3,139,782**	4,275,207
Gross amount due to customers for contract work	*7*	**1,306,594**	1,310,610
Receipts in advance		**74,202**	202,783
Accrued expenses and other payables		**512,473**	626,220
Bank loans		**3,354,148**	2,933,153
Income tax payable		**230,533**	190,963
Provision for warranties		**53,072**	53,977
		8,670,804	9,592,913
Net current assets		**1,982,161**	2,677,195
Total assets less current liabilities		**3,679,671**	4,341,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2014 – unaudited
(Expressed in RMB)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Bank loans		**30,000**	130,000
Deferred tax liabilities		**1,930**	1,768
Provision for warranties		**117,079**	103,107
		149,009	234,875
NET ASSETS		**3,530,662**	4,106,736
CAPITAL AND RESERVES	*10*		
Share capital		**519,723**	519,723
Reserves		**3,200,200**	3,781,681
Total equity attributable to equity shareholders of the Company		**3,719,923**	4,301,404
Non-controlling interests		**(189,261)**	(194,668)
TOTAL EQUITY		**3,530,662**	4,106,736

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorised for issue on 29 August 2014.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

For the six months ended 30 June 2014, the Group had incurred net loss of RMB122,386,000 and net cash used in operating activities of RMB1,916,196,000. These condensed consolidated interim financial information have been prepared on a going concern basis notwithstanding the net loss and net cash used in operating activities for the six months ended 30 June 2014 because the directors of the Company are of the opinion that based on a cash flow forecast of the Group for the twelve months ending 30 June 2015 prepared by the management, which takes into account the banking facilities of RMB620,000,000 not yet utilised as at the date of issue of this interim financial information, the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's interim financial information:

- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The Group manages its businesses by geographical locations of the construction contracts. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments: Northeast China, North China, East China, West China, South China and Overseas. No operating segments have been aggregated to form the following reportable segments.

- Northeast China: comprises construction contracts carried out in the northeastern region of the People's Republic of China (the "PRC"), which includes Liaoning, Jilin, Heilongjiang, Shandong, Henan and Inner Mongolia provinces and autonomous region.
- North China: comprises construction contracts carried out in the northern region of the PRC, which includes Hebei and Shanxi provinces, Beijing and Tianjin.
- East China: comprises construction contracts carried out in the eastern region of the PRC, which includes Jiangsu, Zhejiang, Anhui and Jiangxi provinces, and Shanghai.
- West China: comprises construction contracts carried out in the western and northwestern regions of the PRC, which include Sichuan, Yunnan, Guizhou, Hubei, Shaanxi, Ningxia, Gansu, Qinghai and Xinjiang provinces and autonomous regions, and Chongqing.
- South China: comprises construction contracts carried out in the southern region of the PRC, which includes Guangdong, Hunan, Fujian, Hainan and Guangxi provinces and autonomous region.
- Overseas: comprises construction contracts carried out outside of the PRC.

(a) Segment results, assets and liabilities

In view of the increasing competitiveness within the curtain wall systems industry, the management considers it is more important to focus on the profitability and cash flows of the construction projects within each of the segment identified by the Group. As a result, the treasury function was more centrally managed by the Group, and the Group's fixed assets and related lease prepayments had been deployed across the various segments to increase efficiency at a group level. Accordingly, certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment had been changed during 2013. Consequently, the measure previously used for reporting segment result has been changed to gross profit or loss from "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation", and segment assets information has been changed to exclude the amounts of property, plant and equipment and lease prepayments. Comparative figures have been adjusted to conform to the current period's segment presentation.

The Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of property, plant and equipment, lease prepayments, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payables, gross amount due to customers for contract work, receipts in advance, accrued expenses and other payables and provision for warranties managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. No significant inter-segment sales have occurred for the six months ended 30 June 2014 and 2013. The Group's other operating expenses, such as selling and administrative expenses and finance costs, are not measured under individual segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2014 and 2013 is set out below.

	Six months ended 30 June 2014						
	Northeast China	**North China**	**East China**	**West China**	**South China**	**Overseas**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	723,301	752,028	966,878	276,568	448,403	977,729	4,144,907
Reportable segment gross profit	118,657	127,656	144,282	10,235	62,666	127,574	591,070

	At 30 June 2014						
	Northeast China	**North China**	**East China**	**West China**	**South China**	**Overseas**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	2,294,557	1,298,147	2,178,590	965,715	1,221,014	2,230,022	10,188,045
Reportable segment liabilities	953,414	756,068	1,148,836	480,948	621,952	1,474,412	5,435,630

	Six months ended 30 June 2013						
	Northeast China	North China	East China	West China	South China	Overseas	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	900,341	632,297	1,001,995	321,773	722,359	1,160,736	4,739,501
Reportable segment gross profit/(loss)	184,964	69,137	97,330	(16,011)	111,846	(85,841)	361,425

	At 31 December 2013						
	Northeast China	North China	East China	West China	South China	Overseas	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	2,423,611	1,347,030	2,503,711	1,039,787	1,282,960	2,443,454	11,040,553
Reportable segment liabilities	1,134,268	877,622	1,687,216	650,568	807,935	1,634,474	6,792,083

(b) Reconciliations of reportable segment assets and liabilities

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**10,188,045**	11,040,553
Property, plant and equipment	**817,512**	829,175
Lease prepayments	**590,685**	597,338
Deferred tax assets	**289,313**	237,903
Unallocated head office and corporate assets	**936,638**	1,677,495
Elimination of receivables between segments, and segments and head office	**(471,718)**	(447,940)
Consolidated total assets	**12,350,475**	13,934,524
Liabilities		
Reportable segment liabilities	**5,435,630**	6,792,083
Bank loans	**3,384,148**	3,063,153
Income tax payable	**230,533**	190,963
Deferred tax liabilities	**1,930**	1,768
Unallocated head office and corporate liabilities	**239,290**	227,761
Elimination of payables between segments, and segments and head office	**(471,718)**	(447,940)
Consolidated total liabilities	**8,819,813**	9,827,788

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**93,158**	65,899
Bank charges and other finance costs	**16,539**	12,268
Total borrowing costs	**109,697**	78,167
Interest income	**(8,599)**	(3,553)
Net foreign exchange (gain)/loss	**(53,054)**	122,308
Forward foreign exchange contracts: cash flow hedges, reclassified from equity	**43,166**	(24,568)
	91,210	172,354

(b) Staff costs:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**412,222**	470,705
Contributions to defined contribution retirement plans	**39,625**	36,478
Equity-settled share-based payment expenses in respect of share award scheme *(Note 10(b))*	**15,277**	12,088
	467,124	519,271

(c) Other items:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Depreciation and amortisation	**34,197**	35,429
Net (gain)/loss on disposal of property, plant and equipment	**(2,569)**	11
Impairment losses on trade and other receivables	**105,667**	71,462
Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment	**26,638**	34,378
Research and development costs	**90,920**	168,242
Increase in provision for warranties	**37,115**	40,732
Cost of inventories	**3,553,837**	4,378,076

5 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current taxation:		
– PRC Corporate Income Tax	**44,435**	10,135
– Overseas income tax	**9,332**	11,041
	53,767	21,176
Deferred taxation:		
– Origination and reversal of temporary differences	**(31,662)**	(96,408)
	22,105	(75,232)

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2014 (six months ended 30 June 2013: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

The Company and a subsidiary of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%). One of these subsidiaries has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2012 to 2013 and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2013.

The subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong), the Cayman Islands and the British Virgin Islands, are subject to income tax rates ranging from 8.5% to 34% for the six months ended 30 June 2014 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2013: 8.5% to 34%).

6 BASIC AND DILUTED LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2014 is calculated based on the loss attributable to equity shareholders of the Company of RMB133,227,000 (six months ended 30 June 2013: RMB269,635,000) and the weighted average of 6,182,662,000 ordinary shares (six months ended 30 June 2013: 6,207,862,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**6,178,734**	6,208,734
Effect of shares purchased and vested under a share award scheme *(Note 10(b))*	**3,928**	(872)
Weighted average number of ordinary shares at 30 June	**6,182,662**	6,207,862

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2014 and 2013.

7 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 30 June	At 31 December
	2014	2013
	RMB'000	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress at the end of the reporting period	**39,670,645**	36,395,339
Less: progress billings	**(35,122,535)**	(32,553,756)
	4,548,110	3,841,583
Gross amount due from customers for contract work	**5,854,704**	5,152,193
Gross amount due to customers for contract work	**(1,306,594)**	(1,310,610)
	4,548,110	3,841,583

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade receivables for contract work due from:		
– Third parties	**2,656,188**	2,798,523
– Affiliates of the Controlling Shareholder	**143,045**	136,715
	2,799,233	2,935,238
Bills receivables for contract work	**245,011**	243,390
Trade receivables for sale of raw materials due from:		
– Third parties	**1,537**	1,559
– Affiliates of the Controlling Shareholder	**1,532**	1,884
	3,069	3,443
	3,047,313	3,182,071
Less: allowance for doubtful debts	**(443,629)**	(338,848)
	2,603,684	2,843,223

The Group generally requires customers to settle progress billings and retentions receivables in accordance with contracted terms. Credit terms may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. In accordance with general industry practices, credit terms of one to two years may be granted to customers for retentions receivables.

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**224,604**	532,599
More than 1 month but less than 3 months	**352,605**	380,056
More than 3 months but less than 6 months	**316,172**	465,932
More than 6 months	**1,710,303**	1,464,636
	2,603,684	2,843,223

9 TRADE AND BILLS PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables for purchase of inventories due to:		
– Third parties	**2,084,257**	2,345,901
– Affiliates of the Controlling Shareholder	**1,729**	2,130
	2,085,986	2,348,031
Trade payables due to sub-contractors	**360,359**	601,090
Bills payables	**693,437**	1,326,086
Financial liabilities measured at amortised cost	**3,139,782**	4,275,207

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the maturity date, is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	**2,568,655**	3,061,118
Due after 1 month but within 3 months	**214,515**	270,394
Due after 3 months	**356,612**	943,695
	3,139,782	4,275,207

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$0.08 per ordinary share (six months ended 30 June 2013: HK$0.04 per ordinary share)	**390,519**	201,374

(b) Share award scheme

On 10 April 2013, the directors of the Company adopted a share award scheme (the "Share Award Scheme") as a mean of rewarding and retaining certain employees of the Group and to attract suitable personnel for further development of the Group. A trust has been set up for the purpose of administering the Share Award Scheme.

Details of the shares held under the Share Award Scheme are set out below:

	Six months ended 30 June 2014			Year ended 31 December 2013		
	Average purchase price	**No. of shares held**	**Value**	Average purchase price	No. of shares held	Value
	HK$	***'000***	***RMB'000***	*HK$*	*'000*	*RMB'000*
At 1 January		**30,000**	**15,353**		–	–
Shares purchased during the period/year	**0.67**	**3,900**	**2,083**	0.70	48,020	26,568
Shares granted and vested during the period/year		**(27,090)**	**(13,864)**		(18,020)	(11,215)
At 30 June/31 December		**6,810**	**3,572**		30,000	15,353

On 30 April 2014, 27,090,000 ordinary shares held under the Share Award Scheme were awarded to certain employees of the Group with a fair value per share of HK$0.71 (equivalent to approximately RMB0.56 per share). The fair value of the awarded shares is determined by reference to the closing price of the Company's ordinary shares on 30 April 2014. These awarded shares were vested on 9 May 2014.

11 CONTINGENT LIABILITIES

(a) Guarantees issued

At 30 June 2014, the Group has issued the following guarantees:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Guarantees for construction contracts' bidding, performance and retentions	**2,517,489**	2,359,009

As of the end of the reporting period, the directors of the Company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the end of the reporting period under the guarantees issued is the amount disclosed above.

(b) Contingent liabilities in respect of legal claims

(i) In December 2009, Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. ("Shenyang Yuanda") and Yuanda Aluminium Engineering (India) Private Limited ("Yuanda India"), both wholly owned subsidiaries of the Group, jointly received a notice that they are being sued by a former sub-contractor in India in respect of Shenyang Yuanda's and Yuanda India's non-performance of the terms as stipulated in the sub-contract agreement entered into between Shenyang Yuanda and this former sub-contractor. Shenyang Yuanda has made a counterclaim against this sub-contractor for non-performance of the sub-contract agreement. As at the date of this announcement, the above lawsuit is under reviewed before the Arbitral Tribunal of New Delhi in India. If Shenyang Yuanda and Yuanda India are found to be liable, the total expected monetary compensation may amount to approximately Indian Rupee 1,410.8 million (equivalent to approximately RMB144.6 million) plus accrued interest. Both Shenyang Yuanda and Yuanda India continue to deny any liability in respect of the non-performance of the terms of the sub-contract agreement and, based on legal advice, the directors of the Company do not believe it is probable that the arbitration tribunal will find against Shenyang Yuanda and/or Yuanda India. No provision has therefore been made in respect of this claim.

(ii) In April 2009, Shenyang Yuanda received a notice that it is being sued by a construction agent in Kuwait in respect of damages arose from the termination of the agency agreement entered into between Shenyang Yuanda and this former agent. As at the date of this announcement, the above lawsuit is under reviewed before the Court of First Instance in Kuwait. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately Kuwaiti Dinar 11.2 million (equivalent to approximately RMB244.5 million). Shenyang Yuanda continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda. No provision has therefore been made in respect of this claim.

(iii) In November 2013, Shenyang Yuanda received a notice that it is being sued by a software company in respect of its illegal usage of software owned by this software company. In April 2014, a first instance court judgement has been rendered in favour of this software company and according to the judgement, Shenyang Yuanda is required to pay RMB1.0 million to this software company. Both the software company and Shenyang Yuanda filed an appeal against the above judgement. As at the date of this announcement, the above appeal is under reviewed before the Liaoning High People's Court. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately RMB12.6 million. Shenyang Yuanda continues to deny any liability in respect of the claim, however, based on legal advice, the directors of the Company consider that it is probable that the first instance verdict would be upheld by the Liaoning High People's Court, and accordingly, the amount of RMB1.0 million has been provided for this claim as at 30 June 2014.

(iv) In addition to the lawsuits mentioned in Notes 11(b)(i) to 11(b)(iii), certain subsidiaries of the Group are named defendants on other lawsuits or arbitrations in respect of construction work carried out by them. The directors of the Company consider the amounts involved in these lawsuits and arbitrations are insignificant to the Group, both individually and in aggregate. As at the date of this announcement, the above lawsuits and arbitrations are under reviewed before courts or arbitrators. If these subsidiaries are found to be liable, the total expected monetary compensation may amount to approximately RMB23.2 million. Based on legal advices, the directors of the Company do not believe it is probable that the courts or arbitrators will find against these subsidiaries of the Group on these lawsuits and arbitrations. No provision has therefore been made in this respect.

12 COMPARATIVE FIGURES

In view of the change in focus on how the group operates its business segments, certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment had been changed during 2013. Accordingly, certain comparative figures have been adjusted to conform to current period's presentation. Further details are set out in Note 3(a).

BUSINESS REVIEW

The Group is a provider of one-stop integrated curtain wall solutions covering the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performance testing, installation of products at construction sites and after-sales services. End users of the Group's curtain wall solutions mainly concentrate in domestic and overseas non-residential and infrastructure development areas, such as office buildings of government authorities or headquarters of leading companies from various industries, hotels, shopping centers, convention, cultural and art centers, stadiums, exhibition halls, airports, train stations, hospitals and universities.

The Company believes that it is one of the world leading curtain wall providers with a comprehensive product portfolio. The Group's integrated elements of new materials, new technology, alternative energy, environmental protection and energy conservation into curtain wall products through much sophisticated research and development ("**R&D**"), design, production and installation works to further develop different types of curtain wall products and be committed to realizing the idea of "Low carbon, Function, Safety" in curtain wall products. Such products include double-skin, photovoltaic, ecologically friendly, video and membrane structure types of curtain walls. The Group also provides ancillary products related to curtain wall systems, including skylights, metal roofs, canopy systems, shading systems, balustrade and breast board systems, fire door, roll-up door and energy-saving aluminum alloy doors and windows.

For the six months ended 30 June 2014, the loss attributable to equity shareholders of the Company was approximately RMB133.2 million (30 June 2013: a loss of approximately RMB269.6 million), representing a decrease of loss of about RMB136.4 million or 50.6% as compared to the corresponding period of 2013, which was mainly due to the implementation of production cost control measures in the first half of 2014.

Newly-awarded Projects (excluding VAT)

	For the first half of 2014		For the first half of 2013	
	Number of projects	***RMB million***	Number of projects	*RMB million*
Domestic	69	3,827.4	67	3,889.1
Overseas	13	1,703.3	12	1,871.3
Total	82	5,530.7	79	5,770.4

During the first half of 2014, the Group was awarded with 82 new projects in both domestic and overseas markets, with an aggregate amount of approximately RMB5,530.7 million, representing a decline of approximately RMB239.7 million or 4.2% as compared to that of 2013. The main reasons for the decline was that, for the purpose of the strategic adjustment on enhancing orders quality management, the Company has foregone bidding for those new projects with an expected lower profit margin and less favourable payment terms in order to mitigate potential risks of the ongoing development of the Company arising from low-price market competition.

Details of the certain landmark projects obtained by the Group in first half of 2014 are as follows:

Domestic:

Project name	**Category of project utilization**	**Approximately contract value**
Suzhou Centre	Financial Center	RMB 215.3 million
Shenzhen Bay Ecological Park	Industrial Park	RMB 208.8 million
Guangzhou Metro	Governmental Authority	RMB 162.8 million
Beijing C9 land parcel	Commercial Complex	RMB 141.5 million
Nan Ning Long Guang Century Tower	Commercial Complex	RMB 125.2 million
CNOOC	Headquarters Building	RMB 122.0 million
Maike (Phase II)	Commercial Complex	RMB 117.7 million

Overseas:

Project name	Category of project utilization	Approximately contract value
The British Black Apartment	Apartment	RMB 440.0 million
No. 1 William Street	Commercial Complex	RMB 215.9 million
Kuwait Al Shaya	Hotel	RMB 212.6 million
Four Seasons Hotel in Malaysia	Hotel	RMB 161.7 million
Baku New Moon Palace	Commercial Complex	RMB 127.1 million
British Old Street and Garden	Apartment	RMB 114.2 million

Backlog

	As at 30 June 2014		As at 30 June 2013	
	Number of projects	***RMB million***	Number of projects	*RMB million*
Domestic	385	13,597.2	382	13,597.9
Overseas	89	7,240.8	88	6,130.3
Total	474	20,838.0	470	19,728.2

As at 30 June 2014, the remaining value of backlog amounted to approximately RMB20,838.0 million (30 June 2013: approximately RMB19,728.2 million), which well-secured the Group's future income.

Major technology achievements and awards

The Group adopts the strategy of "energy saving, information technology, intelligent, new technology, new materials" as its future technical development direction, and pioneers the development trend of the industry based on its technical expertise and extensive research and development experience.

In the first half of 2014, the Company attained numerous R&D achievements, including new energy-saving segment curtain wall systems, new energy-saving double-skin curtain wall and new curtain wall energy-saving shading systems.

In the first half of 2014, the Group obtained 27 patents, including 13 patents for invention and 14 patents for utility model. The accumulated number of patents owned by the Group was 910 as at 30 June 2014.

BUSINESS PROSPECTS

The Group has gradually adjusted the operational strategies upon the loss recorded for the first time since the listing in the first half of 2013. The Group has strengthened its budget management of projects and collection of receivables while actively foregone bidding for those projects with an expected lower profit margin. Furthermore, according to the existing operation condition, through cost control measures and improving performance per capita, the Group reduced the costs. Under the global economic slowdown, the improvement of internal operational management is one of the most important tasks for the Group going forward.

In respect of the domestic market, in spite of the adverse factors such as tightening credit policy, the Company is pleased to see the robust demand for curtain walls in the developed areas such as the South China and East China regions. It is expected that the Company will acquire more orders of high-end curtain walls under the favorable policies such as "beautiful China", "new urbanization", "housing industrialization" and "building integrated photovoltaic".

As for the overseas market, the Group will continue to uphold the international strategic development despite the slow-down of global economic recovery since it remains a market with huge market share.

In order to mitigate the impact brought by the anti-subsidy and anti-dumping policies of the North America and expand the emerging market, the Group has actively investigated the overseas factory building plan to remedy the profitability of overseas projects.

Looking forward, the Group will continue to execute its steady operating strategy, reinforce the establishment of its sales teams and project budget management while actively explore some new business models and get access to other industries in order to enhance the Company's profitability. It is expected that the profitability of the Company will gradually be improved year-on-year and to create more values for equity shareholders.

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2014, the Group's turnover was approximately RMB4,144.9 million (30 June 2013: approximately RMB4,739.5 million), representing a decrease of about RMB594.6 million or 12.5% compared to the corresponding period of last year. The main reason was that due to the slow global economic recovery and tightening of domestic credit market, the construction progress of certain projects of the Group remained slow which led to a decrease in revenue as compared to the last corresponding period, including:

Domestic:

For the six months ended 30 June 2014, the overall revenue generated from domestic projects decreased by approximately RMB411.6 million or 11.5% to approximately RMB3,167.2 million (30 June 2013: approximately RMB3,578.8 million), contributing to 76.4% of the revenue of the Group.

Overseas:

For the six months ended 30 June 2014, the overall revenue generated from overseas projects decreased by approximately RMB183.0 million or 15.8% to approximately RMB977.7 million (30 June 2013: approximately RMB1,160.7 million), contributing to 23.6% of the revenue of the Group.

Cost of sales

For the six months ended 30 June 2014, the Group's cost of sales decreased by about RMB824.3 million or 18.8% to approximately RMB3,553.8 million (30 June 2013: about RMB4,378.1 million). Among which:

1. the cost of raw material decreased by 11.7%, the percentage change of which was similar to that of turnover; and

2. the Group improved the cost control which led to the substantial decrease in the installation costs, on-site costs of projects, processing fee and transportation costs.

Gross profit and gross profit margin

For the six months ended 30 June 2014, the Group's gross profit was RMB591.1 million (30 June 2013: RMB361.4 million), representing an increase of RMB229.7 million or 63.6% compared to the last corresponding period. The main reason was that the cost control measures of the Group have achieved initial success, resulting in the improvement of gross profit margin. Among which:

For the six months ended 30 June 2014, the Group's domestic gross profit margin increased by approximately 2.1% to 14.6% (30 June 2013: 12.5%).

For the six months ended 30 June 2014, the Group's overseas gross profit margin increased by approximately 20.4% to 13.0% (30 June 2013: -7.4%).

Other revenue

For the six months ended 30 June 2014, the Group's other revenue decreased by approximately RMB3.2 million or 54.2% to approximately RMB2.7 million (30 June 2013: approximately RMB5.9 million). This was mainly due to the decrease in one-off government corporate subsidy of approximately RMB4.2 million.

Other net income

Other net income primarily comprises net income from sale of raw materials and net gain or loss on disposal of property, plant and equipment.

For the six months ended 30 June 2014, the Group's other net income was approximately RMB3.7 million (30 June 2013: approximately RMB2.0 million), representing an increase of about RMB1.7 million or 85.0% compared to the last corresponding period. This was mainly due to the net gain on disposal of fixed assets by the Group in the first half of 2014.

Selling expenses

For the six months ended 30 June 2014, the Group's selling expenses were approximately RMB70.7 million (30 June 2013: RMB91.4 million), representing a decrease of about RMB20.7 million or 22.6% compared to the last corresponding period. The main reason for the decrease was that the Group's measures on reducing staff cost and enhancing internal review and control have achieved initial success.

For the six months ended 30 June 2014, selling expenses accounted for 1.7% of the revenue (30 June 2013: 1.9%), representing a decrease as compared with the last corresponding period.

Administrative expenses

For the six months ended 30 June 2014, the administrative expenses were approximately RMB535.8 million (30 June 2013: approximately RMB516.1 million), representing an increase of RMB19.7 million or 3.8% compared to the last corresponding period. In the first half of 2014, despite a decrease in staff cost, the collection of trade receivables of the Group, affected by the economic environment, continued to be delayed. Thus, the Group adheres to a principle of prudent operation and hence provision of bad debts increased by RMB34.2 million to RMB105.7 million as compared to the corresponding period last year, resulting in the slight increase in the administrative expenses as compared to the corresponding period last year.

For the six months ended 30 June 2014, administrative expenses accounted for 12.9% of the revenue (30 June 2013: 10.9%).

Finance costs

For the six months ended 30 June 2014, the finance costs were approximately RMB91.2 million (30 June 2013: approximately RMB172.4 million), representing a decrease of RMB81.2 million or 47.1% compared to the last corresponding period. Among which,

1. For the six months ended 30 June 2014, the Company's interest costs were RMB93.2 million (30 June 2013: approximately RMB65.9 million), representing an increase of RMB27.3 million or 41.4% compared to the last corresponding period which was mainly due to the increase of average total bank borrowings of the Company.

2. For the six months ended 30 June 2014, the Company's net foreign exchange gain (after offsetting the loss from forward foreign exchange contracts) increased by RMB107.6 million or 110.1% to approximately RMB9.9 million (30 June 2013: net loss of approximately RMB97.7 million);

For the six months ended 30 June 2014, finance costs accounted for 2.2% of the revenue of the Group (30 June 2013: 3.6%).

Income tax

For the six months ended 30 June 2014, the Group's income tax was approximately RMB22.1 million (30 June 2013: approximately RMB-75.2 million), representing an increase of about RMB97.3 million compared to the last corresponding period. The main reason was that the Company's deferred income taxes benefits amounted to approximately RMB31.7 million (30 June 2013: approximately RMB96.4 million), representing a decrease of approximately RMB64.7 million or 67.1% compared to the last corresponding period.

Loss attributable to equity shareholders of the Company

For the six months ended 30 June 2014, the loss attributable to equity shareholders of the Company was approximately RMB133.2 million (30 June 2013: approximately RMB269.6 million), representing an increase of approximately RMB136.4 million, or 50.6% compared to the last corresponding period.

The basic and diluted loss per share were approximately RMB2.15 cents (30 June 2013: approximately RMB4.34 cents), representing a decrease of about RMB2.19 cents or 50.5% compared to the last corresponding period.

Net current assets and financial resources

As at 30 June 2014, the Group's net current assets were approximately RMB1,982.2 million (31 December 2013: approximately RMB2,677.2 million).

As at 30 June 2014, the Group's cash at bank and on hand amounted to approximately RMB1,168.1 million (31 December 2013: approximately RMB3,273.8 million).

Bank loans and gearing ratio

As at 30 June 2014, the Group's total bank borrowings amounted to approximately RMB3,384.1 million (31 December 2013: approximately RMB3,063.2 million), representing an increase of about RMB320.9 million or 10.5% compared to the last corresponding period.

The Group's gearing ratio (total loans divided by total equity) was 95.9% (31 December 2013: 74.6%).

Turnover days of receivables/trade and bills payables

Turnover days (days)	**For the first half of 2014**	2013
Receivables (1*)	**302 days**	219 days
Trade and bills payables (2*)	**241 days**	208 days
Inventory (3*)	**40 days**	34 days

1* The calculation of the receivables turnover days is based on the average amount of trade and bills receivables after net of provision and net contract work receivables (gross amount due from customers for contract work less gross amount due to customers for contract work) after net of provision as at the beginning and ending of the relevant period divided by total turnover of the corresponding period and multiplied by 181 days or 365 days.

2* The calculation of turnover days of trade and bills payables is based on the average amount of trade and bills payables as at the beginning and ending of the relevant period divided by cost of raw materials and installation cost and multiplied by 181 days or 365 days.

3* The calculation of inventory turnover days is based on the average amount of inventory after net of provision as at the beginning and ending of the relevant period divided by cost of raw materials and multiplied by 181 days or 365 days.

For the six months ended 30 June 2014, the receivables turnover days of the Company were about 302 days (31 December 2013: about 219 days), representing an increase of 83 days, which was mainly due to the fact that amidst the domestic credit and fiscal crunch, the developers got cautious in project investment, delayed in construction progress payment and examination of completed projects, or reduced and delayed the payment of materials reserved for the contract work, while according to the contract or the developers' payment undertaking, the Group should meet the requirements of progress in the projects. This resulted in more working capital being advanced by the Group and a longer settlement period from the customers. At the same time, the cash collection for those completed projects remained slow.

As at 30 June 2014, the trade payables turnover days of the Company were about 241 days (31 December 2013: 208 days), representing a increase of 33 days. As collection of receivables slowed down, the Group slowed its payments to suppliers.

For the six months ended 30 June 2014, the net cash used in operating activities was approximately RMB1,916.2 million (30 June 2013: approximately RMB1,773.4 million), representing an increase of about RMB142.8 million compared to the last corresponding period.

Inventory turnover days

The Group's inventories primarily consist of materials used in fabrication of curtain wall products, including extrusions aluminum, glass, steel and sealant.

As at 30 June 2014, the Group's inventory turnover days were about 40 days (31 December 2013: about 34 days), representing an increase of 6 days which is similar compared to that of 2013.

Capital expenditure

For the six months ended 30 June 2014, the Group's capital expenditure amounted to RMB29.7 million (31 December 2013: RMB87.6 million).

Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, EURO, GBP, AUD, SGD and Swiss Francs. To manage foreign exchange risks, the Company was entered into forward foreign exchange contracts with well-established banks to hedge its foreign exchange risks and entered into the underwriting agreements of accounts receivables with export and import credit insurance company in China to collect trade receivables in advance and minimize the foreign exchange risk.

Contingent liabilities

The Company's contingent liabilities as at 30 June 2014 are set out in Note 11 of the consolidated financial statements above.

Global offering and use of proceeds

In May 2011, the Company conducted a global offering through which 1,708,734,000 new ordinary shares were offered at a price of HK$1.50 per share. Net proceeds raised by the Company were approximately HK$2,402,947,000. The ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 17 May 2011.

As stated in the Company's prospectus dated 20 April 2011 and supplementary prospectus dated 5 May 2011 (collectively, the "Prospectuses"), the Company intended to use the proceeds for expansion of its production capacity, repayment of its existing debts, investment in research and development, expansion of its sales and marketing network.

As at 30 June 2014, an accumulated amount of approximately HK$1,812 million of proceeds from the global offering were utilized as follows:

	HK$' million
Expansion of production capacity	**369**
Repayment of bank loans (mainly comprised of the bridge loan of Standard Chartered Bank)	**962**
Expenses in research and development	**261**
Expansion in its sales and marketing network	**220**
	1,812

The remaining proceeds of approximately HK$591 million will be used in accordance to the intended use of proceeds.

Human resources

As at 30 June 2014, the Group had 10,164 full-time employees in total (31 December 2013: 11,357). The Group has sound policies of management incentives and competitive remuneration, which align with the interests of management, employees and shareholders' alike. The Group sets its remuneration policy by reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of basic salary, allowances, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus and participation in share options.

Company's Mission

The Group implements the operation philosophy of "Technology leads the world, Services create value" and follows the corporate spirit of "To do things honestly, To treat people sincerely, To understand causes and results, To unify theory and practice". It leads the Group to continue to build up independent brand, independent intellectual property and independent marketing network, so as to assume corporate social responsibility for the state, to provide superior products and services to customers, to enhance benefits for employees as well as to create values and returns for equity shareholders.

Purchase, Sale and Redeem of Listed Securities of the Company

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company, except that the trustee of the share award scheme adopted by the Board on 10 April 2013, pursuant to the terms of the rules and trust deed of such scheme, purchased on the Stock Exchange a total of 3,900,000 shares of the Company. In addition, the Company has not redeemed any of its listed securities during the six months ended 30 June 2014.

Review of interim financial report

The unaudited interim results of the Company for the six months ended 30 June 2014 have been reviewed by the Company's external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's review report will be included in the interim report to shareholders. The interim results have also been reviewed and approved by the audit committee of the Company, comprising all the three independent non-executive directors of the Company namely, Mr. Poon Chiu Kwok (Chairman of Audit Committee), Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.

Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2014.

Corporate Governance

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange as its own code on corporate governance and has, during the six months ended 30 June 2014, complied with all code provisions under the Corporate Governance Code.

Model Code for Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the guidelines for the transactions of the directors' dealings in Company's securities. The Company has made specific enquiry to all directors of the Company and all the directors of the Company have confirmed their compliance with the required standards set out in the Model Code during the period ended 30 June 2014.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors, partners and customers for their continued trust and support and all our management and staff members for their contribution and devotion. We are obliged and confident in prudently operating business, reversing the declining trend of the results under the adverse environment and to deliver fruitful rewards to our shareholders and investors in 2014.

Publication of Interim Results and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.yuandacn.com). The interim report of the Company for the six months ended 30 June 2014 will be dispatched to the shareholders of the Company and made available for review on the aforesaid websites in due course.

By order of the Board
Yuanda China Holdings Limited
Kang Baohua
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the executive directors are Mr. Kang Baohua, Mr. Tian Shouliang, Mr. Guo Zhongshan, Mr. Wang Yijun, Mr. Wang Lihui and Mr. Zhang Lei, and the independent non-executive directors are Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.