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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 2016

The board (the "**Board**") of directors (the "**Directors**") 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 2016 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2016 *(Approximate)*	For the six months ended 30 June 2015 *(Approximate)*	Percentage Change *(Approximate)*
Revenue *(RMB million)*	**3,257.5**	3,809.5	(14.5%)
Gross profit margin	**7.5%**	11.2%	(3.7%)
Loss attributable to equity shareholders of the Company *(RMB million)*	**(124.1)**	(150.2)	(17.4%)
Net cash used in operating activities *(RMB million)*	**(1,910.7)**	(2,180.0)	(12.4%)
Basic and diluted loss per share *(RMB cents)*	**(2.00)**	(2.43)	(17.7%)
Proposed interim dividend per share *(HK cents)*	**NIL**	NIL	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016-unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	3	**3,257,502**	3,809,526
Cost of sales		**(3,013,748)**	(3,383,658)
Gross profit	3(a)	**243,754**	425,868
Other income		**49,312**	6,001
Selling expenses		**(53,412)**	(85,635)
Administrative expenses		**(360,070)**	(520,561)
Loss from operations		**(120,416)**	(174,327)
Finance costs	4(a)	**(2,788)**	(45,316)
Loss before taxation	4	**(123,204)**	(219,643)
Income tax	5	**(27,545)**	25,263
Loss for the period		**(150,749)**	(194,380)
Attributable to:			
Equity shareholders of the Company		**(124,132)**	(150,150)
Non-controlling interests		**(26,617)**	(44,230)
Loss for the period		**(150,749)**	(194,380)
Loss per share (RMB cents)			
– Basic and diluted	6	**(2.00)**	(2.43)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016-unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Loss for the period	**(150,749)**	(194,380)
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	**(66,947)**	16,931
– Cash flow hedge: net movement in the hedging reserve	**(7,051)**	23,938
Other comprehensive income for the period	**(73,998)**	40,869
Total comprehensive income for the period	**(224,747)**	(153,511)
Attributable to:		
Equity shareholders of the Company	**(196,672)**	(106,173)
Non-controlling interests	**(28,075)**	(47,338)
Total comprehensive income for the period	**(224,747)**	(153,511)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016-unaudited
(Expressed in RMB)

	Note	**At 30 June 2016** **RMB'000**	At 31 December 2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**727,738**	749,165
Lease prepayments		**630,852**	638,126
Deferred tax assets		**338,293**	340,992
		1,696,883	1,728,283
Current assets			
Inventories		**414,989**	432,960
Gross amount due from customers for contract work	*7*	**5,673,012**	5,738,168
Trade and bills receivables	*8*	**3,078,475**	2,812,661
Deposits, prepayments and other receivables		**643,957**	619,922
Cash at bank and on hand		**1,190,402**	3,006,827
		11,000,835	12,610,538
Current liabilities			
Trade and bills payables	*9*	**3,233,779**	4,258,978
Gross amount due to customers for contract work	*7*	**1,441,310**	1,560,772
Receipts in advance		**45,986**	82,059
Accrued expenses and other payables		**473,796**	880,955
Bank loans		**4,222,482**	3,757,104
Income tax payable		**216,385**	229,214
Provision for warranties		**35,451**	48,222
		9,669,189	10,817,304
Net current assets		**1,331,646**	1,793,234
Total assets less current liabilities		**3,028,529**	3,521,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2016-unaudited
(Expressed in RMB)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Bank loans		–	300,000
Deferred tax liabilities		**2,590**	3,401
Provision for warranties		**207,627**	175,057
		210,217	478,458
NET ASSETS		**2,818,312**	3,043,059
CAPITAL AND RESERVES	*10*		
Share capital		**519,723**	519,723
Reserves		**2,461,369**	2,658,041
Total equity attributable to equity shareholders of the Company		**2,981,092**	3,177,764
Non-controlling interests		**(162,780)**	(134,705)
TOTAL EQUITY		**2,818,312**	3,043,059

NOTES

(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, 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 30 August 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of the 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 statements 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 2015 annual financial statements. The condensed consolidated interim financial statements 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 information 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 2015 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2016.

For the six months ended 30 June 2016, the Group had incurred net loss of RMB150,749,000 and net cash used in operating activities of RMB1,910,728,000. At 30 June 2016, retentions receivable of RMB1,465,500,000 included in current assets are expected to be recovered over one year. This interim financial information has been prepared on a going concern basis notwithstanding the above factors 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 2017 prepared by management, which takes into account the banking facilities of RMB1,200,000,000 not yet utilised as at the date of issue of this announcement, 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 statements on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012-2014 Cycle*

- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have any impact on the Group's interim financial information as the Group does not present the relevant required disclosures outside the interim financial information.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial information.

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

For the purpose of assessing segment performance and allocating resources between segments, 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 2016 and 2015. The Group's other operating expenses, such as selling and administrative expenses and finance costs, are not measured under individual segments. The measure used for reporting segment result is gross profit.

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 2016 and 2015 is set out below.

	Six months ended 30 June 2016						
	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	**365,448**	**313,115**	**728,244**	**296,712**	**349,644**	**1,204,339**	**3,257,502**
Reportable segment gross profit/(loss)	**39,096**	**(63,057)**	**120,674**	**20,684**	**31,636**	**94,721**	**243,754**

	At 30 June 2016						
	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	**2,263,336**	**1,510,495**	**2,204,992**	**1,101,496**	**1,368,580**	**2,147,117**	**10,596,016**
Reportable segment liabilities	**1,186,379**	**781,003**	**1,120,123**	**437,767**	**577,706**	**1,759,437**	**5,862,415**

	Six months ended 30 June 2015						
	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	520,732	555,770	771,228	210,591	569,099	1,182,106	3,809,526
Reportable segment gross profit	70,153	92,517	90,407	34,316	47,753	90,722	425,868

	At 31 December 2015						
	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	2,640,639	1,544,220	2,350,813	1,088,063	1,484,267	2,416,522	11,524,524
Reportable segment liabilities	1,361,342	946,661	1,773,041	543,555	829,849	1,893,313	7,347,761

(b) Reconciliations of reportable segment assets and liabilities

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**10,596,016**	11,524,524
Property, plant and equipment	**727,738**	749,165
Lease prepayments	**630,852**	638,126
Deferred tax assets	**338,293**	340,992
Unallocated head office and corporate assets	**923,907**	1,621,253
Elimination of receivables between segments, and segments and head office	**(519,088)**	(535,239)
Consolidated total assets	**12,697,718**	14,338,821
Liabilities		
Reportable segment liabilities	**5,862,415**	7,347,761
Bank loans	**4,222,482**	4,057,104
Income tax payable	**216,385**	229,214
Deferred tax liabilities	**2,590**	3,401
Unallocated head office and corporate liabilities	**94,622**	193,521
Elimination of payables between segments, and segments and head office	**(519,088)**	(535,239)
Consolidated total liabilities	**9,879,406**	11,295,762

4 LOSS BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**88,154**	102,525
Bank charges and other finance costs	**16,173**	15,481
Total borrowing costs	**104,327**	118,006
Interest income	**(6,242)**	(7,910)
Net foreign exchange (gain)/loss	**(115,629)**	7,463
Net loss/(gain) on forward foreign exchange contracts:		
– net loss/(gain) on cash flow hedging instruments reclassified from equity	**8,757**	(32,454)
–net loss/(gain) on other forward foreign exchange contracts	**11,575**	(39,789)
	2,788	45,316

(b) Staff costs:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**321,242**	378,683
Contributions to defined contribution retirement plans	**50,871**	50,579
Equity-settled share-based payment expenses in respect of share award scheme	**–**	14,705
	372,113	443,967

(c) Other items:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Depreciation and amortisation	**31,662**	30,669
Net (gain)/loss on disposal of property, plant and equipment and land use rights *(Note (i))*	**(45,668)**	133
(Reversal of impairment losses)/impairment losses on trade and other receivables	**(1,774)**	136,988
Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment	**26,637**	25,137
Research and development costs	**61,154**	71,082
Increase in provision for warranties	**46,493**	57,017
Cost of inventories	**3,013,748**	3,383,658

Note:

(i) The amounts for the six months ended 30 June 2016 represented net gain on disposal of property, plant and equipment of RMB1.3 million and the supplemental compensation of RMB44.4 million received by the Group, which is recognised as other income, in relation to disposal of land use rights by a PRC subsidiary in 2015.

5 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current taxation:		
– PRC Corporate Income Tax	**14,791**	3,004
– Overseas income tax	**1,557**	2,062
	16,348	5,066
Deferred taxation:		
– Origination and reversal of temporary differences	**11,197**	(30,329)
	27,545	(25,263)

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 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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 2014 to 2016 in October 2014 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15%.

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 35% for the six months ended 30 June 2016 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2015: 8.5% to 35%).

6 BASIC AND DILUTED LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2016 is calculated based on the loss attributable to equity shareholders of the Company of RMB124,132,000 (six months ended 30 June 2015: RMB150,150,000) and the weighted average of 6,208,147,000 ordinary shares (six months ended 30 June 2015: 6,188,947,000 ordinary shares) in issue during the interim period, calculated as follows:

	Six months ended 30 June	
	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**6,208,147**	6,188,520
Effect of shares purchased and vested under a share award scheme *(Note 10(b))*	**–**	427
Weighted average number of ordinary shares at 30 June	**6,208,147**	6,188,947

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2016 and 2015. The effect of shares purchased under the Group's share award scheme was not included in the calculation of diluted loss per share as they are antidilutive during the period.

7 GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At 30 June 2016 *RMB'000*	At 31 December 2015 *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	**48,058,017**	45,445,528
Less: progress billings	**(43,826,315)**	(41,268,132)
	4,231,702	4,177,396
Gross amount due from customers for contract work	**5,673,012**	5,738,168
Gross amount due to customers for contract work	**(1,441,310)**	(1,560,772)
	4,231,702	4,177,396

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade receivables for contract work due from:		
– Third parties	**3,394,597**	3,193,472
– Affiliates of the Controlling Shareholder	**146,058**	133,418
	3,540,655	3,326,890
Bills receivables for contract work	**197,551**	141,121
Trade receivables for sale of raw materials due from:		
–Third parties	**5,021**	1,512
–Affiliates of the Controlling Shareholder	**1,569**	1,742
	6,590	3,254
	3,744,796	3,471,265
Less: allowance for doubtful debts	**(666,321)**	(658,604)
	3,078,475	2,812,661

The Group generally requires customers to settle progress billings and retentions receivable in accordance with contracted terms. Credit terms of one to ten years may be granted to customers and debtors for retentions receivable, depending on credit assessment carried out by management on an individual customer or debtor basis.

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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 6 months	**747,785**	789,134
More than 6 months but less than 1 year	**492,056**	363,045
More than 1 year	**1,838,634**	1,660,482
	3,078,475	2,812,661

9 TRADE AND BILLS PAYABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade payables for purchase of inventories due to:		
– Third parties	**2,412,903**	2,407,146
– Affiliates of the Controlling Shareholder	**2,899**	2,725
	2,415,802	2,409,871
Trade payables due to sub-contractors	**378,716**	734,603
Bills payables	**439,261**	1,114,504
Financial liabilities measured at amortised cost	**3,233,779**	4,258,978

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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Due within 1 month or on demand	**2,879,818**	3,346,548
Due after 1 month but within 3 months	**171,841**	275,680
Due after 3 months	**182,120**	636,750
	3,233,779	4,258,978

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 2016 (six months ended 30 June 2015: 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	
	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$Nil per ordinary share (six months ended 30 June 2015: HK$0.10 per ordinary share)	**–**	489,788

(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 within 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 2016			Year ended 31 December 2015		
	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		**587**	**210**		20,214	9,270
Shares purchased during the period/year		**–**	**–**	0.45	7,380	2,653
Shares granted and vested during the period/year		**–**	**–**		(27,007)	(11,713)
At 30 June/31 December		**587**	**210**		587	210

11 CONTINGENT LIABILITIES

(a) Guarantees issued

At 30 June 2016, the Group has issued the following guarantees:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Guarantees for construction contracts' bidding, performance and retentions	**2,120,543**	2,189,897

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 RMB138.5 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 November 2014, Yuanda Canada, a wholly owned subsidiary of the Group, received a notice that it is being counterclaimed by a contractor in Canada alleging damages due to additional costs incurred for project delays caused by Yuanda Canada and costs incurred in completing and rectifying Yuanda Canada's work. This counterclaim is derived from a claim registered by Yuanda Canada against the contractor in respect of its non-payment of CAD2.9 million (equivalent to approximately RMB15.0 million) for the value of work performed by Yuanda Canada. If Yuanda Canada is found to be liable, the total expected monetary compensation may amount to approximately CAD13.5 million (equivalent to approximately RMB69.2 million) plus accrued interest. Yuanda Canada denies any liability in respect of the counterclaim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Yuanda Canada. No provision had therefore been made in respect of this claim.

(iii) In addition to the lawsuits mentioned in Notes 11(b)(i) and 11(b)(ii), certain subsidiaries of the Group are named defendants on a number of other lawsuits or arbitrations. 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 RMB94.9 million, of which RMB51.9 million has already been provided for by the Group at 30 June 2016. Based on legal advices, except for the lawsuits the Group has already provided for, 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.

(c) Contingent compensation payable

In July 2016, it was reported that certain construction materials supplied by the Group was found to contain asbestos in two construction projects in Australia. The Group is cooperating with relevant authorities on investigation into the reason for the reported cases. A wider investigation has been carried out by the relevant authorities on other projects constructed by the Group across Australia. As at the date of this announcement, asbestos was not found in other projects constructed by the Group and there was no related legal action against the Group. As the investigation is yet to be completed and claims against the Group from contractors have not been quantified, the directors of the Company cannot reliably estimate the repair cost and potential compensation for projects found with asbestos. No provision in this regard has therefore been made.

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 integrates 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. The Group further develops different types of curtain wall products and is committed to offering low carbon, functional, and safe 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 relating 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.

MARKET CONDITION

In the first half of 2016, the growth of global economy slowed down further. The United States experienced a sluggish recovery. The European Union downgraded its economic outlook as a result of "Brexit". Whilst China came under the pressure of supply-side structural reform, the domestic economic development remained steady.

Unlike the conditions in other major economies, such as France, Britain, Australia, Germany and Singapore, where the investment growth in real estate is declining along with the falling property price, the construction industry in the United States is promoted by the overseas investment. In China, a large volume of inventory of commercial real estate, high vacancy rate and conservative policies of land supply and credit impaired the willingness to invest.

In face of such a complex economic environment, the Group adhered to the principle of prudence, strictly appraised customers' payment capability and did not blindly bid for new projects to reduce construction project advances for customers to avoid tightening liquidity. Moreover, the Group strengthened the fine management, reduced selling and administrative expenses, and improved profitability.

For the six months ended 30 June 2016, the loss attributable to equity shareholders of the Company was approximately RMB124.1 million (30 June 2015: a loss of approximately RMB150.2 million), representing a decrease of loss of about RMB26.1 million, or approximately 17.4% as compared to the corresponding period of 2015, which was mainly due to the effective fine management.

Newly-awarded Projects (excluding VAT)

During the first half of 2016, the Group was awarded 26 new projects with an aggregate amount of approximately RMB1,419.2 million, representing a decline of approximately RMB2,247.8 million or approximately 61.3% as compared to that of 2015. The main reason for the decrease was that the Group did not blindly bid for new projects to reduce construction project advances for customers.

Details of the certain landmark projects obtained by the Group in first half of 2016 are as follows:

Project name	Category of project utilization	Approximate contract value
Shengjing Financial Center	Financial Center	RMB198.3 million
Xinggang International Center	Headquarters Building	RMB119.2 million
American Riverside B4	Apartment	RMB117.5 million
Harbin Metro Line 3	Communal Facilities	RMB100.0 million
Nanchang Commercial Center	Commercial Complex	RMB98.7 million
Luneng Greenmile Building	Headquarters Building	RMB79.4 million
Pakistan Lahore	Communal Facilities	RMB77.3 million
Shenzhen Taiziwan Commerce Square	Headquarters Building	RMB74.2 million

Backlog

	As at 30 June 2016		As at 30 June 2015	
	Number of projects	***RMB million (Approximate)***	Number of projects	*RMB million (Approximate)*
Domestic	**360**	**11,257.9**	386	13,315.7
Overseas	**99**	**7,646.1**	89	7,137.3
Total	**459**	**18,904.0**	475	20,453.0

As at 30 June 2016, the remaining value of backlog amounted to approximately RMB18,904.0 million (30 June 2015: approximately RMB20,453.0 million), which could secure a sustainable development of the Group.

Major technology achievements and awards

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

During the first half of 2016, the Group obtained 5 patents, including 4 patents for invention and 1 patent for utility models. The accumulated number of patents owned by the Group was 970 as at 30 June 2016.

BUSINESS PROSPECTS

About two years ago, the Group placed more emphasis on overseas market development. Benefited from the steady growth of the Group's market share in Southeast Asia market, the overseas revenue of the Group for the first half of 2016 has increased compared to the corresponding period of last year. Under the expectation of RMB depreciation, the demand for investment in overseas real estate surges. The increased demand reshapes the market landscape of overseas real estate business and brings new opportunities to construction industry.

In order to reduce the cost of construction, the State Council of China proposed regularizing the cash deposit system in construction projects to provide additional liquidity and stimulate the development of construction industry. In addition, the rise of number of public infrastructure projects led by government, such as Public-Private Partnership, is expected to benefit construction industry.

Curtain wall industry is in the process of in-depth integration where enterprises with small scale, poor management and low-tech product will be eliminated. However, the Group has competitive advantages in brand reputation, products quality and research and development capabilities, and flexible personnel and organisational structure to adapt to the cyclical change of the industry, which will ensure its sustained and healthy development, and benefit shareholders in the long-run.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group's revenue was approximately RMB3,257.5 million (30 June 2015: approximately RMB3,809.5 million), representing a decrease of about RMB552.0 million or approximately 14.5% as compared to the corresponding period of last year. The main reason for the decrease was due to the integration of construction industry. Among which:

Domestic:

The overall revenue generated from domestic projects decreased by approximately RMB574.2 million or approximately 21.9% to RMB2,053.2 million (30 June 2015: approximately RMB2,627.4 million), contributing to approximately 63.0% of the revenue of the Group. The drop in domestic revenue was mainly attributable to a large volume of inventory of commercial real estate which impaired the willingness to invest.

Overseas:

The overall revenue generated from overseas projects increased by approximately RMB22.2 million or approximately 1.9% to RMB1,204.3 million (30 June 2015: approximately RMB1,182.1 million), contributing to approximately 37.0% of the revenue of the Group. The reason for the slight increase in overseas revenue was that the Group has placed more emphasis on overseas market development since nearly two years ago. Attributable to the steady growth of the Group's market share in Southeast Asia market, overseas revenue for the first half of 2016 has increased compared to the corresponding period of last year.

Cost of sales

For the six months ended 30 June 2016, the Group's cost of sales was approximately RMB3,013.7 million (30 June 2015: approximately RMB3,383.7 million), representing a decrease of approximately RMB370.0 million or approximately 10.9% as compared to the corresponding period of last year. The decrease was in line with the dropped revenue.

Gross profit and gross profit margin

For the six months ended 30 June 2016, the Group's gross profit was approximately RMB243.8 million (30 June 2015: approximately RMB425.9 million), representing a decrease of about RMB182.1 million or approximately 42.8% as compared to the last corresponding period. The gross profit margin decreased by approximately 3.7% to approximately 7.5% (30 June 2015: approximately 11.2%). Among which:

1. For the six months ended 30 June 2016, the Group's domestic gross profit margin decreased by approximately 5.5% to approximately 7.3% (30 June 2015: approximately 12.8%). The decline in domestic gross profit margin was mainly due to the intense market competition, which resulted in the decrease in number of projects with favourable gross profit margin.

2. For the six months ended 30 June 2016, the Group's overseas gross profit margin increased by approximately 0.2% to approximately 7.9% (30 June 2015: approximately 7.7%). The increase in overseas gross profit margin was mainly due to the depreciation of RMB.

Other income

Other income of the Group primarily comprises government grants, rental revenue from operating leases, net income from provision of repairs and maintenance services and net gain or loss on disposal of property, plant and equipment and land use rights.

For the six months ended 30 June 2016, the Group's other income amounted to approximately RMB49.3 million (30 June 2015: approximately RMB6.0 million), representing an increase by approximately RMB43.3 million as compared to the last corresponding period. The main reason for the increase was that Foshan subsidiary of the Group obtained tax compensation of approximately RMB44.4 million from the local government in connection with a land replacement in 2015.

Selling expenses

For the six months ended 30 June 2016, the selling expenses were approximately RMB53.4 million (30 June 2015: approximately RMB85.6 million), representing a decrease of approximately RMB32.2 million or approximately 37.6% as compared to the last corresponding period. The main reason for the decrease was significant decline in hosting fees and travel expenses led by fine management.

For the six months ended 30 June 2016, selling expenses accounted for approximately 1.6% of the Group's revenue (30 June 2015: approximately 2.2%).

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses were approximately RMB360.1 million (30 June 2015: approximately RMB520.6 million), representing a decrease of approximately RMB160.5 million or approximately 30.8% as compared to the last corresponding period. The significant decrease in administrative expenses was mainly due to the decrease in staff cost and impairment losses on receivables.

For the six months ended 30 June 2016, administrative expenses accounted for approximately 11.1% of the Group's revenue (30 June 2015: approximately 13.7%).

Finance costs

For the six months ended 30 June 2016, the finance costs were approximately RMB2.8 million (30 June 2015: approximately RMB45.3 million), representing a decrease of about RMB42.5 million or approximately 93.8% as compared to the last corresponding period, which was due to the increase of the net foreign exchange gain.

For the six months ended 30 June 2016, the Group's net foreign exchange gain (after offsetting the loss from forward foreign exchange contracts) increased by approximately RMB30.5 million or approximately 47.1% to approximately RMB95.3 million (30 June 2015: net gain of approximately RMB64.8 million), which was mainly due to the appreciation of USD, HKD and AUD against RMB.

For the six months ended 30 June 2016, finance costs accounted for approximately 0.1% of the revenue of the Group (30 June 2015: approximately 1.2%).

Income tax

For the six months ended 30 June 2016, the Group's income tax expense was approximately RMB27.5 million (30 June 2015: an income tax benefit of approximately RMB25.3 million).

Net loss

For the six months ended 30 June 2016, the net loss of the Group was approximately RMB150.7 million (30 June 2015: a net loss of approximately RMB194.4 million), representing a decrease of approximately RMB43.7 million or approximately 22.5% as compared to the last corresponding period.

Loss attributable to equity shareholders of the Company

For the six months ended 30 June 2016, the loss attributable to equity shareholders of the Company was approximately RMB124.1 million (30 June 2015: approximately RMB150.2 million), representing a decrease of approximately RMB26.1 million, or approximately 17.4% as compared to the last corresponding period.

The basic and diluted loss per share was approximately RMB2.00 cents (30 June 2015: approximately RMB2.43 cents), representing a decrease of approximately RMB0.43 cents or approximately 17.7% as compared to the last corresponding period.

Net current assets and financial resources

As at 30 June 2016, the Group's net current assets were approximately RMB1,331.6 million (31 December 2015: approximately RMB1,793.2 million), representing a decrease of approximately RMB461.6 million or approximately 25.7% as compared with that of 31 December 2015.

As at 30 June 2016, the Group's cash at bank and on hand amounted to approximately RMB1,190.4 million (31 December 2015: approximately RMB3,006.8 million), representing a decrease of approximately RMB1,816.4 million or approximately 60.4% as compared with that of 31 December 2015. The reason for significant drop was that in the first half of 2016, the Group gradually settled such payables to suppliers whose payment dates were delayed for improving the Group's liquidity in 2015. Additionally, it is common that most of construction project advances for customers are incurred in the first half year but disbursed in the second half year.

Bank loans and gearing ratio

As at 30 June 2016, the Group's total bank borrowings amounted to approximately RMB4,222.5 million (31 December 2015: approximately RMB4,057.1 million), representing an increase of about RMB165.4 million or approximately 4.1% as compared to the last corresponding period.

The Group's gearing ratio (total liabilities divided by total assets) was approximately 77.8% (31 December 2015: approximately 78.8%).

Turnover days of receivables/trade and bills payables/inventory

Turnover days (days)	**For the six months ended 30 June 2016** *(Approximate)*	For the year ended 31 December 2015 *(Approximate)*
Receivables (1*)	**399 days**	306 days
Trade and bills payables (2*)	**294 days**	288 days
Inventory (3*)	**53 days**	44 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 net of provision) as at the beginning and the end of the relevant period divided by total revenue of the relevant period and multiplied by 182 days or 365 days.

2* The calculation of trade and bills payables turnover days is based on the average amount of trade and bills payables as at the beginning and the end of the relevant period divided by cost of raw materials and installation cost of the relevant period and multiplied by 182 days or 365 days.

3* The calculation of inventory turnover days is based on the average amount of inventory net of provision as at the beginning and the end of the relevant period divided by cost of raw materials of the relevant period and multiplied by 182 days or 365 days.

For the six months ended 30 June 2016, the receivables turnover days of the Group were approximately 399 days (Year ended 31 December 2015: approximately 306 days), representing an increase of approximately 93 days, which was mainly due to the delay of payments to the Group by domestic customers which had tight liquidity.

For the six months ended 30 June 2016, the trade and bills payables turnover days were approximately 294 days (Year ended 31 December 2015: approximately 288 days), representing an increase of approximately 6 days.

For the six months ended 30 June 2016, the net cash used in operating activities was approximately RMB1,910.7 million (30 June 2015: approximately RMB2,180.0 million), representing a decrease of approximately RMB269.3 million as compared to the last corresponding period.

Inventory and 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 2016, the Group's inventory amounted to approximately RMB415.0 million (31 December 2015: approximately RMB433.0 million). For the six months ended 30 June 2016, the inventory turnover days were about 53 days (Year ended 31 December 2015: about 44 days).

Capital expenditure

For the six months ended 30 June 2016, the Group's payments for capital expenditure amounted to approximately RMB64.8 million (Year ended 31 December 2015: approximately RMB86.0 million).

Foreign exchange risk

The overseas projects of the Group were mainly denominated in USD, EURO, GBP, AUD, SGD and Swiss Francs. To manage foreign exchange risks, the Group entered into forward foreign exchange contracts with well-established banks to hedge its foreign exchange risks.

Contingent liabilities

The Company's contingent liabilities as at 30 June 2016 are set out in Note 11.

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 2016, an accumulated amount of approximately HK$2,011 million of proceeds from the global offering were utilized as follows:

	HK$'million
Expansion of production capacity	568
Repayment of bank loans (mainly comprised of the bridge loan of Standard Chartered Bank)	962
Expenditures in research and development	261
Expansion in its sales and marketing network	220
	2,011

The remaining proceeds of approximately HK$392 million will be used in accordance with the intended use of proceeds as disclosed in the Prospectus.

Human resources

As at 30 June 2016, the Group had 6,937 full-time employees in total (31 December 2015: 7,924). 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 creates 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 Redemption of Listed Securities of the Company

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the listed securities of the Company.

Review of interim financial information

The unaudited interim financial information of the Company for the six months ended 30 June 2016 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 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 any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

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 ("**Listing Rules**") as its own code on corporate governance and has, during the six months ended 30 June 2016, 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 and all the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months period ended 30 June 2016.

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 2016.

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 2016 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, 30 August 2016

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.