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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 2018

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 2018 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2018 *(Approximate)*	For the six months ended 30 June 2017 *(Approximate)*	Percentage Change *(Approximate)*
Revenue *(RMB million)*	**2,178.0**	2,216.9	(1.8%)
Gross profit margin	**16.0%**	15.9%	0.1%
Consolidated net loss *(RMB million)*	**(62.3)**	(97.5)	(36.1%)
Loss attributable to equity shareholders of the Company *(RMB million)*	**(71.3)**	(79.7)	(10.5%)
Net cash used in operating activities *(RMB million)*	**(1,154.0)**	(1,620.1)	(28.8%)
Basic and diluted loss per share *(RMB cents)*	**(1.15)**	(1.28)	(10.2%)
Proposed interim dividend per share *(HKD cents)*	**NIL**	NIL	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018-unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2018**	2017
		RMB'000	*RMB'000*
			(Note)
Revenue	*3*	**2,177,990**	2,216,915
Cost of sales		**(1,829,316)**	(1,865,208)
Gross profit	*3(b)*	**348,674**	351,707
Other income		**21,097**	46,912
Selling expenses		**(35,604)**	(32,929)
Administrative expenses		**(359,518)**	(360,299)
(Loss)/profit from operations		**(25,351)**	5,391
Finance costs	*4(a)*	**(37,972)**	(123,992)
Loss before taxation	*4*	**(63,323)**	(118,601)
Income tax	*5*	**1,043**	21,130
Loss for the period		**(62,280)**	(97,471)
Attributable to:			
Equity shareholders of the Company		**(71,332)**	(79,689)
Non-controlling interests		**9,052**	(17,782)
Loss for the period		**(62,280)**	(97,471)
Loss per share (RMB cents)			
– Basic and diluted	*6*	**(1.15)**	(1.28)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018-unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Note)
Loss for the period	**(62,280)**	(97,471)
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 of financial statements of the Company and certain subsidiaries into presentation currency	**(3,118)**	(15,744)
– Cash flow hedge: net movement in the hedging reserve	**(1,057)**	5,122
Other comprehensive income for the period	**(4,175)**	(10,622)
Total comprehensive income for the period	**(66,455)**	(108,093)
Attributable to:		
Equity shareholders of the Company	**(78,043)**	(85,343)
Non-controlling interests	**11,588**	(22,750)
Total comprehensive income for the period	**(66,455)**	(108,093)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018-unaudited
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**440,547**	617,302
Lease prepayments		**373,148**	600,490
Deferred tax assets		**617,762**	454,312
		1,431,457	1,672,104
Current assets			
Inventories		**342,350**	277,198
Contract assets	*7*	**3,556,497**	–
Gross amount due from customers for contract work		–	4,027,183
Trade and bills receivables	*8*	**2,477,277**	3,035,194
Deposits, prepayments and other receivables		**696,707**	663,842
Cash on hand and in bank		**571,173**	1,805,591
Assets classified as held for sale	*9*	**366,203**	–
		8,010,207	9,809,008
Current liabilities			
Trade and bills payables	*10*	**2,195,253**	3,314,858
Contract liabilities	*7*	**1,018,889**	–
Gross amount due to customers for contract work		–	891,455
Receipts in advance		–	16,282
Accrued expenses and other payables		**712,647**	591,806
Bank loans		**2,127,494**	2,222,000
Income tax payable		**211,983**	211,528
Provision for warranties		**49,600**	52,277
		6,315,866	7,300,206
Net current assets		**1,694,341**	2,508,802
Total assets less current liabilities		**3,125,798**	4,180,906

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018-unaudited (continued)
(Expressed in RMB)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Non-current liabilities			
Bank loans		**300,000**	721,551
Deferred tax liabilities		**1,640**	3,971
Provision for warranties		**252,419**	257,118
		554,059	982,640
NET ASSETS		**2,571,739**	3,198,266
CAPITAL AND RESERVES	*11*		
Share capital		**519,723**	519,723
Reserves		**2,052,016**	2,817,332
Total equity attributable to equity shareholders of the Company		**2,571,739**	3,337,055
Non-controlling interests		**–**	(138,789)
TOTAL EQUITY		**2,571,739**	3,198,266

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

NOTES

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

This interim financial information set out below is derived from the unaudited interim financial report, which 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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report 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 report 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 2017 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 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 2017 that is included in the interim financial report 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 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2018.

2 Changes in accounting policies

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

Except for IFRS 9 and IFRS 15, none of the other developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by IFRS 9 in relation to measurement of credit losses, and impacted by IFRS 15 in relation to satisfaction of performance obligations, contract modifications, and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in Note 2(b) for IFRS 9 and Note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15:

		Impact on initial application of IFRS 9	Impact on initial application of IFRS 15			
	At 31 December 2017	**Expected credit loss**	**Satisfaction of performance obligations**	**Contract modifications**	**Presentation of contract assets and liabilities**	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 2(b))	*(Note 2(c)(i))*	*(Note 2(c)(ii))*	*(Note 2(c)(iii))*	
Deferred tax assets	454,312	143,522	9,070	–	–	606,904
Total non-current assets	**1,672,104**	**143,522**	**9,070**	**–**	**–**	**1,824,696**
Inventories	277,198	–	155,148	–	–	432,346
Contract assets	–	–	–	–	3,578,362	3,578,362
Gross amount due from customers for contract work	4,027,183	(241,900)	(121,061)	(85,860)	(3,578,362)	–
Trade and bills receivables	3,035,194	(362,452)	(6,889)	–	–	2,665,853
Total current assets	**9,809,008**	**(604,352)**	**27,198**	**(85,860)**	**–**	**9,145,994**
Contract liabilities	–	–	–	–	971,536	971,536
Gross amount due to customers for contract work	891,455	–	62,653	332	(954,440)	–
Receipts in advance	16,282	–	814	–	(17,096)	–
Income tax payable	211,528	–	(1,220)	(12,929)	–	197,379
Total current liabilities	**7,300,206**	**–**	**62,247**	**(12,597)**	**–**	**7,349,856**
Net current assets	**2,508,802**	**(604,352)**	**(35,049)**	**(73,263)**	**–**	**1,796,138**
Total assets less current liabilities	**4,180,906**	**(460,830)**	**(25,979)**	**(73,263)**	**–**	**3,620,834**
Net assets	**3,198,266**	**(460,830)**	**(25,979)**	**(73,263)**	**–**	**2,638,194**
Reserves	**2,817,332**	**(456,844)**	**(23,254)**	**(73,263)**	**–**	**2,263,971**
Total equity attributable to equity shareholders of the Company	**3,337,055**	**(456,844)**	**(23,254)**	**(73,263)**	**–**	**2,783,694**
Non-controlling interests	**(138,789)**	**(3,986)**	**(2,725)**	**–**	**–**	**(145,500)**
Total equity	**3,198,266**	**(460,830)**	**(25,979)**	**(73,263)**	**–**	**2,638,194**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9, *Financial instruments*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(360,506)
– contract assets	(238,887)
Related tax	142,549
Net decrease in retained earnings at 1 January 2018	(456,844)
Non-controlling interests	
Decrease in non-controlling interests at 1 January 2018 due to recognition of additional expected credit losses (after tax) on financial assets measured at amortised cost and contract assets	(3,986)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss (the "ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash on hand and in bank, trade and bills receivables and deposits and other receivables);

– contract assets as defined in IFRS15 (see Note 2(c));

Derivative financial instruments measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for trade and other receivables and contract assets where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and bills receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB604.3 million, which decreased retained earnings by RMB456.8 million and non-controlling interests by RMB4.0 million and increased gross deferred tax assets by RMB143.5 million at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	1,480,051
Additional credit loss recognised at 1 January 2018 on:	
– Trade and bills receivables	362,452
– Contract assets recognised on adoption of IFRS 15	241,900
Loss allowance at 1 January 2018 under IFRS 9	2,084,403

(ii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to IAS 39 to be applied, and the assessment is always forward-looking. The adoption of IFRS 9 has not had a significant impact on the Group's financial statements in this regard.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

– All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements to all the construction contracts before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Later revenue and profit recognition from the construction activities that are not yet considered as transferred	(33,096)
Later revenue and profit recognition from unapproved contract modifications	(86,192)
Related tax	22,771
Net decrease in retained earnings at 1 January 2018	(96,517)
Non-controlling interests	
Decrease in non-controlling interests at 1 January 2018 due to later revenue and profit recognition from the construction activities that are not yet considered as transferred	(2,725)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Satisfaction of performance obligations

Previously, the Group recognised revenue arising from construction contracts over time generally when outcome of a construction contract can be estimated reliably. Under IFRS 15, revenue is recognised when the Group satisfies a performance obligation by transferring control of promised goods or service to the customer. At the end of each reporting period, the Group shall assess whether the revenue from the sale of goods and rendering of services fall into any one of the following three situations identified by IFRS 15 in which the Group satisfies a performance obligation and recognises revenue over time:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

– the Group's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(ii) Contracts modifications

Under IAS 11, a variation is included in contract revenue when it is probable that the customer will approve the variation and the amount of revenue can be measured. Under IFRS 15, contract modifications are required to be approved to be recognised. If a change in the scope of the contract has been approved where the corresponding price undetermined, the underlying variable consideration is estimated at either its expected value or most likely amount and is only permitted to be included in revenue to the extent that it is highly probable that the revenue will not reverse. At the end of each reporting period, the Group shall update the estimated transaction price to represent circumstances at period end.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Gross amount due from customers for contract work", "Gross amount due to customers for contract work" or "Receipts in advance" respectively.

3 Revenue and 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 Mainland China.

(a) Disaggregation of revenue

All of the Group's revenue is arising from construction contracts. The majority of the Group's revenue is recognised over time. Disaggregation of revenue from contracts with customers by geographical location of customers is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Note)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by geographical location of customers		
Mainland China	**1,101,794**	1,248,854
Europe region	**422,435**	182,637
Australia region*	**259,091**	129,424
Americas region	**206,588**	141,894
East Asia region	**167,349**	435,510
Middle East region	**15,094**	71,332
Others	**5,639**	7,264
	1,076,196	968,061
	2,177,990	2,216,915

* All of the revenue from Australia region is arising from one country, Australia.

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under the transition method chosen, the comparative information is not restated. See Note 2(c).

(b) 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, assets classified as held for sale, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payables, contract liabilities, 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 revenues have occurred for the six months ended 30 June 2018 and 2017. 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 2018 and 2017 is set out below.

	Six months ended 30 June 2018						
	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	**217,720**	**222,685**	**334,619**	**155,068**	**171,702**	**1,076,196**	**2,177,990**
Reportable segment gross profit/(loss)	**62,875**	**30,812**	**77,296**	**32,476**	**(14,763)**	**159,978**	**348,674**

	At 30 June 2018						
	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	**1,370,116**	**1,166,374**	**1,682,136**	**685,316**	**796,494**	**1,938,751**	**7,639,187**
Reportable segment liabilities	**733,549**	**368,605**	**765,708**	**336,270**	**317,044**	**1,575,159**	**4,096,335**

	Six months ended 30 June 2017 *(Note)*						
	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	128,569	242,021	433,390	180,563	264,311	968,061	2,216,915
Reportable segment gross (loss)/profit	(7,929)	28,294	100,845	16,588	51,217	162,692	351,707

	At 31 December 2017 *(Note)*						
	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	1,806,972	1,385,890	2,184,229	840,313	1,076,098	1,938,378	9,231,880
Reportable segment liabilities	1,022,862	636,625	1,306,302	418,498	457,198	1,638,709	5,480,194

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(c) Reconciliations of reportable segment assets and liabilities

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000* *(Note)*
Assets		
Reportable segment assets	**7,639,187**	9,231,880
Property, plant and equipment	**440,547**	617,302
Lease prepayments	**373,148**	600,490
Assets classified as held for sale	**366,203**	–
Deferred tax assets	**617,762**	454,312
Unallocated head office and corporate assets	**416,973**	1,060,228
Elimination of receivables between segments, and segments and head office	**(412,156)**	(483,100)
Consolidated total assets	**9,441,664**	11,481,112
Liabilities		
Reportable segment liabilities	**4,096,335**	5,480,194
Bank loans	**2,427,494**	2,943,551
Income tax payable	**211,983**	211,528
Deferred tax liabilities	**1,640**	3,971
Unallocated head office and corporate liabilities	**544,629**	126,702
Elimination of payables between segments, and segments and head office	**(412,156)**	(483,100)
Consolidated total liabilities	**6,869,925**	8,282,846

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

4 Loss before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on borrowings	**59,976**	79,069
Bank charges and other finance costs	**7,197**	12,322
Total borrowing costs	**67,173**	91,391
Interest income	**(2,888)**	(2,671)
Net foreign exchange (gain)/loss	**(10,654)**	25,333
Net (gain)/loss on forward foreign exchange contracts:		
– net gain on cash flow hedging instruments reclassified from equity	**(9,504)**	(4,749)
– net (gain)/loss on other forward foreign exchange contracts	**(6,155)**	14,688
	37,972	123,992

(b) Staff costs:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**331,182**	272,981
Contributions to defined contribution retirement plans	**37,105**	42,324
	368,287	315,305

(c) Other items:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
		(Note)
Depreciation and amortisation	**27,765**	28,802
Net gain on disposal of property, plant and equipment and land use rights	**(13,868)**	(41,958)
Impairment losses on trade and other receivables and contract assets	**56,929**	114,515
Operating lease charges in respect of plant and buildings, motor vehicles and other equipment	**16,605**	17,285
Research and development costs	**35,702**	46,069
Increase in provision for warranties	**38,059**	36,676
Cost of inventories	**1,829,316**	1,865,208

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

5 Income tax

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current taxation:		
– Provision for corporate income tax in respective jurisdictions	**13,861**	700
– Over provision in respect of prior years	**–**	(13,840)
	13,861	(13,140)
Deferred taxation:		
– Origination and reversal of temporary differences	**(14,904)**	(7,990)
	(1,043)	(21,130)

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 2018 (six months ended 30 June 2017: 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 2018 (six months ended 30 June 2017: 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 2018 (six months ended 30 June 2017: 25%).

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 2018 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2017: 8.5% to 35%).

One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2017 to 2019 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 50% of the qualified research and development costs incurred in the PRC by this subsidiary.

6 Basic and diluted loss per share

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2018 is calculated based on the loss attributable to equity shareholders of the Company of RMB71,332,000 (six months ended 30 June 2017: RMB79,689,000) and the weighted average of 6,208,147,000 ordinary shares (six months ended 30 June 2017: 6,208,147,000 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

There are no dilutive potential shares outstanding during the six months ended 30 June 2018 and 2017.

7 Contract assets and contract liabilities

(a) Contract assets

	At 30 June 2018 *RMB'000*	**At 1 January 2018** *RMB'000* *(Note (i))*	**At 31 December 2017** *RMB'000* *(Note (i))*
Contract assets			
Arising from performance under construction contracts *(Notes (iii),(iv))*	3,856,255	3,820,262	–
Less: loss allowance *(Note (ii))*	(299,758)	(241,900)	–
	3,556,497	3,578,362	–

Notes:

(i) The Group has initially applied IFRS 9 and IFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional expected credit losses on contract assets. (see Note 2(b)(i)).

(iii) Upon the adoption of IFRS 15, amounts previously presented as "Gross amount due from customers for contract work" were reclassified to "Contract assets" (see Note 2(c)(iii)).

(iv) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that were not yet considered as transferred and unapproved contract modifications. This has resulted in a decrease in contract assets as at that date (see Notes 2(c)(i) and 2(c)(ii)).

(b) Contract liabilities

	At 30 June 2018	**At 1 January 2018**	At 31 December 2017
	RMB'000	***RMB'000***	*RMB'000*
		(Note (i))	*(Note (i))*
Contract liabilities			
Construction contracts			
– Billings in advance of performance *(Notes (ii)&(iii))*	**1,018,889**	**971,536**	–

Notes:

(i) The Group has initially applied IFR 9 and IFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that were not yet considered as transferred and unapproved contract modifications. This has resulted in an increase in contract liabilities as at that date (see Notes 2(c)(i) and 2(c)(ii)).

(iii) Upon the adoption of IFRS 15, amounts previously presented as "Gross amount due to customers for contract work" and "Receipts in advance" were reclassified to "Contract liabilities" (see Note 2(c)(iii)).

8 Trade and bills receivables

	At 30 June 2018 RMB'000	At 1 January 2018 RMB'000 (Note (i))	At 31 December 2017 RMB'000 (Note (i))
Trade receivables for contract work due from *(Note (ii))*:			
– Third parties	**4,077,401**	**4,265,862**	4,272,751
– Companies under the control of Mr Kang Baohua, the ultimate equity shareholder of the Group (the "Controlling Shareholder")	**177,150**	**185,586**	185,586
	4,254,551	**4,451,448**	4,458,337
Bills receivable for contract work	**52,205**	**47,659**	47,659
Trade receivables for sale of raw materials due from:			
– Third parties	**5,492**	**2,302**	2,302
– Companies under the control of the Controlling Shareholder	**1,863**	**1,870**	1,870
	7,355	**4,172**	4,172
	4,314,111	**4,503,279**	4,510,168
Less: loss allowance *(Note (iii))*	**(1,836,834)**	**(1,837,426)**	(1,474,974)
Financial assets measured at amortised cost	**2,477,277**	**2,665,853**	3,035,194

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that were not yet considered as transferred. This has resulted in a decrease in trade receivables as at that date (see Notes 2(c)(i)).

(iii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional ECLs on trade and bills receivables (see Note 2(b)(i)).

The Group generally requires customers to settle progress billings and retentions receivable in accordance with contracted terms.

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

	At 30 June 2018 RMB'000	At 1 January 2018 RMB'000	At 31 December 2017 RMB'000
Within 6 months	**458,716**	**863,620**	933,087
More than 6 months but less than 1 year	**511,975**	**175,562**	202,024
More than 1 year	**1,506,586**	**1,626,671**	1,900,083
	2,477,277	**2,665,853**	3,035,194

9 Assets classified as held for sale

During the six months ended 30 June 2018, Shenyang Yuanda Aluminium Industry Engineering Co., Ltd. ("Shenyang Yuanda"), a wholly-owned PRC subsidiary of the Group, has committed to and commenced a sale plan of its land use rights and properties. Accordingly, the lease prepayments and properties to be disposed of with a carrying amount of RMB220.2 million and RMB144.6 million (gross amout of RMB245.7 million and net of associated government grant of RMB101.1 million) are reclassified to "Assets classified as held for sale" as at 30 June 2018. Further details of the above transaction are set out in Note 13.

During the six months ended 30 June 2018, Shanghai Yuanda Aluminium Industry Engineering Co., Ltd ("Shanghai Yunada"), a wholly-owned PRC subsidiary of the Group, has entered into agreements with third parties in respect of the disposal of certain properties of Shanghai Yuanda at a total consideration of RMB48.0 million. Accordingly, the properties to be disposed of with a carrying amount of RMB1.4 million are reclassified to "Assets classified as held for sale" as at 30 June 2018.

At 30 June 2018, the disposals of the above assets classified as held for sale are still in progress, and the directors of the Company expect the disposals to be completed within one year.

10 Trade and bills payables

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables for purchase of inventories due to:		
– Third parties	**1,448,962**	1,746,425
– Companies under the control of the Controlling Shareholder	**2,990**	4,268
	1,451,952	1,750,693
Trade payables due to sub-contractors	**446,369**	831,117
Bills payable	**296,932**	733,048
Financial liabilities measured at amortised cost	**2,195,253**	3,314,858

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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 month or on demand	**1,968,084**	2,724,867
More than 1 month but less than 3 months	**112,362**	193,096
More than 3 months	**114,807**	396,895
	2,195,253	3,314,858

11 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 2018 (six months ended 30 June 2017: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

(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 2018		Year ended 31 December 2017	
	No. of shares held '000	**Value RMB'000**	No. of shares held '000	Value RMB'000
At 1 January and at 30 June/31 December	**587**	**210**	587	210

(c) Acquisition of non-controlling interests

Pursuant to the respective equity transfer agreement entered into between Shenyang Yuanda and the then non-controlling equity shareholders of Yuanda Europe Ltd. ("Yuanda Europe"), Shenyang Yuanda acquired all of the remaining 40% non-controlling interests in Yuanda Europe for a consideration of Swiss Franc 1(equivalent to approximately RMB7) on 31 March 2018. The aggregate non-controlling interests acquired is a deficit of RMB133.9 million.

12 Contingent liabilities

(a) Guarantees issued

At 30 June 2018, the Group has issued the following guarantees:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Guarantees for construction contracts' bidding, performance and retentions	**1,335,608**	1,780,253

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 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 Republic of India ("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. On 30 September 2016, a first instance court judgement has been rendered in favour of Shenyang Yuanda and Yuanda India and pursuant to which the former sub-contractor shall pay to Shenyang Yuanda and Yuanda India damages in the amount of INR81.8 million (equivalent to approximately RMB7.9 million) plus accrued interest.

The former sub-contractor and Shenyang Yuanda and Yuanda India later on filed appeals and as at the date of this announcement, the lawsuit is under reviewed before the Hon'ble High Court of Delhi. If Shenyang Yuanda and Yuanda India are found to be liable, the total expected monetary compensation may amount to approximately INR1,410.8 million (equivalent to approximately RMB135.6 million) plus accrued interest. Shenyang Yuanda and Yuanda India deny any liability in respect of the appeal filed by the former sub-contractor and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda and/or Yuanda India. No provision has therefore been made in respect of this claim.

(ii) In November 2014, Canada Yuanda Aluminum Corporation ("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 RMB14.6 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 RMB67.4 million) plus accrued interest. Yuanda Canada continues to deny 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) On 20 April 2016, LLC Yuanda Curtain Wall ("Yuanda Russia"), a wholly-owned subsidiary of the Group, initiated an arbitration proceeding against Rasen Stroy LLC ("Rasen Stroy"), a contractor of Yuanda Russia, in the arbitration tribunal in Moscow to demand payment of the outstanding construction payable of USD6.5 million (equivalent to approximately RMB43.2 million) and apply for a protection order in relation to letters of guarantee of USD7.6 million (equivalent to approximately RMB50.5 million) issued by Shenyang Yuanda to Rasen Stroy. Rasen Stroy filed a counterclaim against Yuanda Russia on 27 July 2016 claiming for USD37.4 million (equivalent to approximately RMB247.4 million). Shenyang Yuanda also sued Rasen Stroy in Intermediate People's Courts of Shenyang ("Shenyang Court") for the same incidence and requested China Construction Bank ("CCB", the counter guarantee bank) to stop payment of the deposits to Yapi ve kredi Bankasi A.S., Esentepe Corporate Banking Center Branch ("Yapi Bank", the trustee for the bank guarantee letter) in relation to letters of guarantee issued. On 25 April 2016, Shenyang Court ruled in favour of Shenyang Yuanda.

In respect of Yuanda Russia's claim, on 9 September 2016, the arbitration tribunal in Moscow ruled that Rasen Stroy shall make payment of an outstanding construction payable of USD2.8 million (equivalent to approximately RMB18.5 million) to Yuanda Russia and Yuanda Russia's application for a protection order in relation to the letters of guarantee was dismissed. In respect of Rasen Stroy's counterclaim, on 5 October 2016, the arbitration tribunal in Moscow ruled in favour of Rasen Stroy and that Yuanda Russia shall pay 50% of the amount Rasen Stroy claimed for, which is USD18.7 million (equivalent to approximately RMB123.7 million). Based on the above judgement, Yapi Bank made unilateral payment to Rasen Stroy of USD7.6 million (equivalent to approximately RMB50.5 million) under the letters of gurantee, and requested CCB to pay the same amount to Yapi Bank.

Yuanda Russia disagrees with the above ruling and filed an appeal against the ruling. The appeal by Yuanda Russia was dismissed by the relevant tribunal. Yuanda Russia filed a second appeal. On 2 May 2017, the arbitration tribunal in Moscow ruled in favour of Rasen Stroy and that the claimed amount Yuanda Russia is liable for was reduced to USD3.4 million (equivalent to approximately RMB22.6 million). In June 2017, Yuanda Russia and Rasen Stroy both filed further appeals. In August 2017, the arbitration tribunal in Moscow rejected both appeals. Meanwhile, Shenyang Yuanda sued Yapi Bank in Shenyang Court for the malicious payment of USD7.6 million (equivalent to approximately RMB50.5 million) to Rasen Stroy. On 11 April 2018, Shenyang Court ruled in favor of Shenyang Yuanda. Yapi Bank later on filed an appeal. As at the date of this announcement, the lawsuit is under reviewed before Shenyang Court. If Shenyang Yuanda is found to be liable, the total compensation is the deposits of USD7.6 million (equivalent to approximately RMB50.5 million).

As at the date of this announcement, Yuanda Russia continue to deny any liability in respect of Rasen Stroy's counterclaim and Shenyang Yuanda continue to deny the application of the deposits from Yapi Bank, and based on legal advice and taking into account of Yuanda Russia's financial position as at the end of the reporting period, the directors of the Company believe that it is not probable that the outcome of the lawsuits will be unfavourable to Shenyang Yuanda or Yuanda Russia. No provision has therefore been made in respect of claims by Rasen Stroy or Yapi Bank.

(iv) In February 2017, Yuanda USA Corporation ("Yuanda USA"), a wholly owned subsidiary of the Group, received a notice that it is being claimed by a contractor in USA, Mchugh Clark Joint Venture, alleging damages due to additional costs incurred for project delays caused by Yuanda USA. If Yuanda USA is found to be liable, the total expected monetary compensation may amount to approximately USD5.9 million (equivalent to approximately RMB39.0 million). As at the date of this announcement, the above arbitration is in the stage of offering witness and American Arbitration Association schedules to review it in October 2018. Yuanda USA continues to deny any liability, the directors of the Company do not believe it is probable that the American Arbitration Association will find against Yuanda USA. No provision has therefore been made in respect of this claim.

(v) In addition to the lawsuits mentioned in Notes 12(b)(i) to 12(b)(iv), certain subsidiaries of the Group are named defendants on other lawsuits or arbitrations in respect of construction work carried out by them. As at the date of this announcement, these 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 RMB254.4 million, of which RMB17.5 million has already been provided for and the Group's bank deposits of RMB22.5 million at 30 June 2018 was frozen by courts for certain of these lawsuits. 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.

(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. 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 in Australia. 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.

13 Non-adjusting event after the reporting period

On 12 July 2018, Shenyang Yuanda entered into a land resumption agreement with a third party in respect of the disposal of certain land use rights and properties of Shenyang Yuanda at a consideration of RMB550.0 million. The above transaction is subject to shareholder's approval in an extraordinary general meeting to be held on 14 September 2018.

BUSINESS REVIEW

OVERALL PERFORMANCE

In the first half of 2018, the global economy maintained a moderate growth. Major economies grew unevenly whilst trade protectionism was on the rise. The curtain wall industry saw intensifying disordered competition under the pressure of financial deleveraging and the volatility in the exchange rates.

For the six months ended 30 June 2018, the loss attributable to equity shareholders of the Company decreased by about RMB8.4 million or 10.5% as compared with corresponding period of last year to about RMB71.3 million (for the six months ended 30 June 2017: about RMB79.7 million). During the six months ended 30 June 2018, as most of the foreign exchange rates which had significant impact on the Group fluctuated in favour of the Group, the Group recorded a net foreign exchange gain, while during the corresponding period, the Group suffered a net foreign exchange loss.

NEWLY-AWARDED PROJECTS (INCLUDING VAT)

For the six months ended 30 June 2018, the aggregate amount of newly-awarded projects of the Group increased by about RMB3,341.9 million or 214.0% as compared with corresponding period of last year to about RMB4,420.4 million (for the six months ended 30 June 2017: about RMB1,562.0 million).

Details of certain newly-awarded landmark projects obtained by the Group during the first half of 2018 are as follows:

Project name	**Category of project utilization**
Yoma Central LOA, Myanmar	Commercial Complex
Marriott Qata Hotel, Qatar	Hotel
MPP-ACW Glass, Indonesia	Office Building
Melbourne Plaza, Australia	Commercial Complex

BACKLOG

As at 30 June 2018, the remaining contract value of backlog of the Group increased by about RMB997.0 million or 5.8% as compared with corresponding period of last year to about RMB18,230.9 million (30 June 2017: about RMB17,233.9 million), which is expected to be able to support a sustainable development of the Group for the next two to three years.

	As at 30 June 2018 Remaining value of contracts		As at 30 June 2017 Remaining value of contracts	
	Number of projects	***RMB million***	Number of projects	*RMB million*
Domestic	**206**	**6,756.9**	300	8,619.2
Overseas	**90**	**11,474.0**	104	8,614.7
Total	**296**	**18,230.9**	404	17,233.9

MAJOR TECHNOLOGY ACHIEVEMENTS AND AWARDS

For the six months ended 30 June 2018, the Group obtained 14 patents for utility model.

BUSINESS PROSPECTS

Looking forward to the second half of 2018, the People's Bank of China will continue to promote the financial deleveraging reform, which will tighten the market liquidity and have an impact on curtain wall industry. In order to be ready for future challenges, the Group will further optimize its operation management system and risk control, strengthen team building and improve management efficiency. The Group will keep a close eye on the latest market and employ suitable business strategy so as to cope with the fast changing global economy in the future.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the revenue of the Group decreased by about RMB38.9 million or 1.8% as compared with corresponding period of last year to about RMB2,178.0 million (for the six months ended 30 June 2017: about RMB2,216.9 million). Among which:

1. for the six months ended 30 June 2018, the revenue from domestic market of the Group decreased by about RMB147.1 million or 11.8% as compared with corresponding period of last year to about RMB1,101.8 million (for the six months ended 30 June 2017: about RMB1,248.9 million), contributing approximately 50.6% of the total revenue of the Group. The decline was due to the revenue shrink in East, West and South China; and

2. for the six months ended 30 June 2018, the revenue from overseas market of the Group increased by about RMB108.2 million or 11.2% as compared with corresponding period of last year to about RMB1,076.2 million (for the six months ended 30 June 2017: about RMB968.0 million), contributing approximately 49.4% of the total revenue of the Group. The increase was due to the revenue surge in Europe and Australia.

Cost of sales

For the six months ended 30 June 2018, the cost of sales of the Group decreased by about RMB35.9 million or 1.9% as compared with corresponding period of last year to about RMB1,829.3 million (for the six months ended 30 June 2017: about RMB1,865.2 million). With the decrease in revenue, the related costs of sales incurred decreased correspondingly.

Gross profit and gross profit margin

For the six months ended 30 June 2018, the gross profit of the Group decreased by about RMB3.0 million or 0.9% as compared with corresponding period of last year to about RMB348.7 million (for the six months ended 30 June 2017: about RMB351.7 million).

For the six months ended 30 June 2018, the gross profit margin of the Group increased by about 0.1% as compared with corresponding period of last year to about 16.0% (for the six months ended 30 June 2017: about 15.9%). The Group's gross profit margin maintained a steady growth, which was mainly attributable to the strengthened budget management and cost control implemented by the Group. Among which:

1. for the six months ended 30 June 2018, the domestic gross profit margin of the Group increased by about 2.0% as compared with corresponding period of last year to about 17.1% (for the six months ended 30 June 2017: about 15.1%); and

2. for the six months ended 30 June 2018, the overseas gross profit margin of the Group decreased by about 1.9% as compared with corresponding period of last year to about 14.9% (for the six months ended 30 June 2017: about 16.8%).

Other income

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

For the six months ended 30 June 2018, the other income of the Group decreased by about RMB25.8 million or 55.0% as compared with corresponding period of last year to about RMB21.1 million (for the six months ended 30 June 2017: about RMB46.9 million). The decrease in the Group's other income was mainly due to the decline in net gain on disposal of property and plant and equipment during the Reporting Period.

Selling expenses

For the six months ended 30 June 2018, the selling expenses of the Group increased by about RMB2.7 million or 8.2% as compared with corresponding period of last year to about RMB35.6 million (for the six months ended 30 June 2017: about RMB32.9 million), accounted for approximately 1.6% of the operating revenue of the Group (for the six months ended 30 June 2017: 1.5%).

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group decreased by about RMB0.8 million or 0.2% as compared with corresponding period of last year to about RMB359.5 million (for the six months ended 30 June 2017: about RMB360.3 million), accounted for approximately 16.5% of the operating revenue of the Group (for the six months ended 30 June 2017: 16.3%).

Finance costs

For the six months ended 30 June 2018, the finance costs of the Group decreased by about RMB86.0 million or 69.4% as compared with corresponding period of last year to about RMB38.0 million (for the six months ended 30 June 2017: about RMB124.0 million), accounted for 1.7% of the operating revenue of the Group (for the six months ended 30 June 2017: 5.6%). The decrease was mainly due to foreign exchange recognised as a net profit during the Reporting Period rather than a net loss as for the corresponding period of last year.

Income tax

For the six months ended 30 June 2018, the income tax benefit of the Group decreased by about RMB20.1 million or 95.3% as compared with corresponding period of last year to about RMB1.0 million (for the six months ended 30 June 2017: about RMB21.1 million). The decrease in income tax benefit was mainly due to the current tax from the United Kingdom for increase of operation profits.

Consolidated net loss

As a result of the foregoing, for the six months ended 30 June 2018, the consolidated net loss of the Group decreased by about RMB35.2 million or 36.1% as compared with corresponding period of last year to about RMB62.3 million (for the six months ended 30 June 2017: about RMB97.5 million).

Loss attributable to equity shareholders of the Company

For the six months ended 30 June 2018, the loss attributable to equity shareholders of the Company decreased by about RMB8.4 million or 10.5% as compared with corresponding period of last year to about RMB71.3 million (for the six months ended 30 June 2017: about RMB79.7 million).

Net current assets and financial resources

As at 30 June 2018, the net current assets of the Group decreased by about RMB814.5 million or 32.5% to about RMB1,694.3 million (31 December 2017: about RMB2,508.8 million).

As at 30 June 2018, the cash on hand and in bank of the Group decreased by about RMB1,234.4 million or 68.4% to about RMB571.2 million (31 December 2017: about RMB1,805.6 million), mainly denominated in RMB, Hong Kong dollar ("HKD"), British Pound Sterling ("GBP"), Australian Dollar ("AUD"), United States Dollar ("USD") and Singapore dollar ("SGD").

Bank loans and gearing ratio

As at 30 June 2018, the total bank loan of the Group decreased by about RMB516.1 million or 17.5% to about RMB2,427.5 million (31 December 2017: about RMB2,943.6 million).

The Group's gearing ratio (calculated by total liabilities divided by total assets) was 72.8% (31 December 2017: 72.1%).

Turnover days of receivables/trade and bills payables/inventory

Turnover days (day)	**For the six months ended 30 June 2018** *(Notes)*	For the year ended 31 December 2017
Receivables *(note 1)*	**427**	417
Trade and bills payables *(note 2)*	**379**	409
Inventory *(note 3)*	**57**	54

Notes:

1. The calculation of the receivables turnover days is based on the average amount of trade and bills receivables and net contract assets (contract assets less contract liabilities) as at the beginning (after opening adjustment upon the adoption of IFRS 15 and IFRS 9) and ending of the relevant period (net of provision) divided by total revenue of the relevant period and multiplied by 182/365 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 of the relevant period and multiplied by 182/365 days.

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

4. The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

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 2018, the inventory of the Group increased by about RMB65.2 million or 23.5% to about RMB342.4 million (31 December 2017: about RMB277.2 million).

Capital expenditure

For the six months ended 30 June 2018, the Group's payment for capital expenditure amounted to approximately RMB2.0 million, which was mainly related to the payment on land acquisition, construction of plant and purchase of equipment.

Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, GBP, AUD and SGD. To hedge any foreign exchange risks, the Group has entered into forward foreign exchange contracts which hedge the forecast transactions and monetary assets denominated in foreign currencies of the Group. The Group ensures that net exposure to currency risk arising from assets and liabilities maintained at an acceptable level.

Contingent liabilities

Details of the Group's contingent liabilities as at 30 June 2018 are set out in Note 12 to this announcement.

Charge on assets

As at 30 June 2018, the Group's bank loans of approximately RMB1,190.5 million were secured by property, plant and equipment and land use rights and assets classified as held for sale with an aggregate carrying value of approximately RMB1,027.9 million.

Save as disclosed above, the Group had no other charge on its assets as at 30 June 2018.

Material acquisitions and disposals

During the Reporting Period, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

Significant investment

The Group did not make any significant investments during the Reporting Period.

Future plans for significant investments or capital assets

The Group does not have any future plans for significant investments or capital assets as at the date of this announcement.

Global offering and use of proceeds

In May 2011, the Company conducted a global offering (the "**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 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 the supplementary prospectus dated 5 May 2011 (the "**Prospectus**"), the Group intended to use the proceeds from the Global Offering 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 2018, an accumulated amount of approximately HK$2,020 million of proceeds from the Global Offering (of which expansion of production capacity: HK$577 million; repayment of bank loans (mainly comprised the bridge loan of Standard Chartered Bank): HK$962 million; expenses in research and development: HK$261 million; and expansion of its sales and marketing network: HK$220 million) was utilized in accordance with the intended use as stated in the Prospectus. It is intended that the remaining proceeds of approximately HK$383 million will be used in accordance to the proposed allocation as stated in the Prospectus.

Employees and remuneration policies

As at 30 June 2018, the Group had 4,671 full-time employees in total (31 December 2017: 6,094). The decrease in number of full-time employees was a result of the Group's headcount optimization. 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 with 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 share options.

Review of interim financial report

The unaudited interim financial report of the Company for the six months ended 30 June 2018 has 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 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.

Corporate governance

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. For the six months ended 30 June 2018, the Company has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

Model code for securities transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules regarding securities transactions by the Company. The Company has made specific enquiry to all Directors and all the Directors have confirmed their compliance with the required standard set out in the Model Code for the six months ended 30 June 2018.

Interim dividend

The Board has resolved not to declare any annual dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

Purchase, sale and redemption of listed securities of the group

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

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors, partners and customers for their continuous trust and support and all the management and staff of the Group for their contribution and devotion. The Group will continue to prudently operate business, improve the Group's probability level against the adverse environment and achieve a brighter performance to deliver fruitful rewards to our shareholders and investors.

Publication of interim results and interim report

This results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Group (http://www.yuandacn.com). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to the shareholders of the Group and made available for review on the aforesaid websites in due course.

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

The PRC, 30 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Kang Baohua, Mr. Li Hongren, Mr. Liu Futao, Mr. Ma Minghui, Mr. Wang Hao and Mr. Zhang Lei, and the independent non-executive directors of the Company are Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.