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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 2019

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 2019 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2019 ***(Approximate)***	For the six months ended 30 June 2018 *(Approximate)*	Percentage Change *(Approximate)*
Revenue *(RMB million)*	**1,809.7**	2,178.0	(16.9%)
Adjusted gross profit margin *(Note)*	**19.7%**	13.4%	6.3%
Consolidated net loss *(RMB million)*	**(59.7)**	(62.3)	(4.2%)
Loss attributable to equity shareholders of the Company *(RMB million)*	**(59.7)**	(71.3)	(16.3%)
Net cash used in operating activities *(RMB million)*	**(1,067.4)**	(1,154.0)	(7.5%)
Basic and diluted loss per share *(RMB cents)*	**(0.96)**	(1.15)	(16.5%)
Proposed interim dividend per share *(HKD cents)*	**NIL**	NIL	

Note: Adjusted gross profit margin represents gross profit margin after impairment losses for trade receivables and contract assets. Comparative figures have been adjusted to conform to the current period's presentation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Revenue	*3*	**1,809,653**	2,177,990
Cost of sales		**(1,442,057)**	(1,829,316)
Gross profit		**367,596**	348,674
Other income		**19,535**	21,097
Selling expenses		**(41,040)**	(35,604)
Administrative expenses		**(330,168)**	(302,589)
Expected credit losses of financial and contract assets		**(10,686)**	(56,929)
Profit/(loss) from operations		**5,237**	(25,351)
Finance costs		**(57,757)**	(37,972)
Loss before taxation	*4*	**(52,520)**	(63,323)
Income tax	*5*	**(7,207)**	1,043
Loss for the period		**(59,727)**	(62,280)
Attributable to:			
Equity shareholders of the Company		**(59,727)**	(71,332)
Non-controlling interests		**–**	9,052
Loss for the period		**(59,727)**	(62,280)
Loss per share (RMB cents)			
– Basic and diluted	*6*	**(0.96)**	(1.15)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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 2019 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Loss for the period	**(59,727)**	(62,280)
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	**17,281**	(3,118)
– Cash flow hedge: net movement in the hedging reserve	**–**	(1,057)
Other comprehensive income for the period	**17,281**	(4,175)
Total comprehensive income for the period	**(42,446)**	(66,455)
Attributable to:		
Equity shareholders of the Company	**(42,446)**	(78,043)
Non-controlling interests	**–**	11,588
Total comprehensive income for the period	**(42,446)**	(66,455)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in RMB)

	Note	**At 30 June 2019** *RMB'000*	At 31 December 2018 *RMB'000* *(Note)*
Non-current assets			
Property, plant and equipment		**407,270**	427,829
Right-of-use assets	*2*	**272,822**	–
Lease prepayments	*2*	–	368,358
Deferred tax assets		**569,105**	558,844
		1,249,197	1,355,031
Current assets			
Inventories and other contract costs		**331,110**	407,125
Contract assets	*7*	**2,896,243**	2,831,703
Trade and bills receivables	*8*	**2,630,205**	2,838,648
Deposits, prepayments and other receivables		**741,272**	789,864
Cash on hand and in bank		**1,305,224**	1,702,751
Assets classified as held for sale		**246,752**	136,241
		8,150,806	8,706,332
Current liabilities			
Trade and bills payables	*9*	**1,781,384**	2,998,632
Contract liabilities	*7*	**979,154**	881,998
Accrued expenses and other payables		**715,672**	592,280
Bank and other loans		**2,631,195**	2,287,877
Income tax payable		**205,524**	224,084
Provision for warranties		**71,819**	63,365
		6,384,748	7,048,236
Net current assets		**1,766,058**	1,658,096
Total assets less current liabilities		**3,015,255**	3,013,127

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019 – unaudited

(Expressed in RMB)

	Note	**At 30 June 2019** **RMB'000**	At 31 December 2018 RMB'000 *(Note)*
Non-current liabilities			
Bank loans		**115,000**	61,769
Lease liabilities	*2(d)*	**5,761**	–
Deferred tax liabilities		**279**	2,858
Provision for warranties		**228,534**	240,373
		349,574	305,000
NET ASSETS		**2,665,681**	2,708,127
CAPITAL AND RESERVES	*10*		
Share capital		**519,723**	519,723
Reserves		**2,145,958**	2,188,404
TOTAL EQUITY		**2,665,681**	2,708,127

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, 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.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The reclassifications arising from the new initial application are therefore recognised in the opening balance on 1 January 2019.

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

(a) Changes in the accounting policies

(i) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties and motor vehicles leased for use as disclosed in Note 2(c).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) Lessor accounting

The Group leases out certain machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.37%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments at 31 December 2018	13,641
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,627)
	12,014
Less: total future interest expenses	(666)
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1 January 2019	11,348

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. Lease prepayments for land use rights have been recognised at amortised costs at 31 December 2018.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of plant, buildings and motor vehicles, and therefore recognised the additions to right-of-use assets of RMB10.8 million.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	Capitalisation of operating lease contracts and reclassification of lease prepayments *RMB'000*	Carrying amount at 1 January 2019 *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	381,525	381,525
Lease prepayments	368,358	(368,358)	–
Non-current assets	**1,355,031**	**13,167**	**1,368,198**
Deposits, prepayments and other receivables	789,864	(1,819)	788,045
Current assets	**8,706,332**	**(1,819)**	**8,704,513**
Accrued expenses and other payables	592,280	6,446	598,726
Current liabilities	**7,048,236**	**6,446**	**7,054,682**
Net current assets	**1,658,096**	**(8,265)**	**1,649,831**
Total assets less current liabilities	**3,013,127**	**4,902**	**3,018,029**
Lease liabilities (non-current)	–	4,902	4,902
Non-current liabilities	**305,000**	**4,902**	**309,902**
Net assets	**2,708,127**	**–**	**2,708,127**

The analysis of the net book value of the Group's right-of-use assets, carried at depreciated cost, by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	RMB'000	*RMB'000*
Prepayment for land use right for own use	**253,806**	368,358
Properties leased for own use	**18,444**	13,167
Motor vehicles for own use	**572**	–
	272,822	381,525

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**10,559**	**10,829**	6,446	6,675
After 1 year but within 2 years	**5,711**	**6,158**	4,902	5,339
After 2 years but within 5 years	**50**	**58**	–	–
	5,761	**6,216**	4,902	5,339
	16,320	**17,045**	11,348	12,014
Less: total future interest expenses		**(725)**		(666)
Present value of lease liabilities		**16,320**		11,348

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note (i)) (C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit/(loss) from operations	**5,237**	**4,885**	**(5,500)**	**4,622**	(25,351)
Finance costs	**(57,757)**	**816**	**–**	**(56,941)**	(37,972)
Loss before taxation	**(52,520)**	**5,701**	**(5,500)**	**(52,319)**	(63,323)
Loss for the period	**(59,727)**	**5,701**	**(5,500)**	**(59,526)**	(62,280)

The Group's administrative expenses and finance costs are not allocated to individual segments, therefore there is no significant impact of adoption of IFRS 16 on the Group's segment results.

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17 (Notes (i) & (ii))**	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
	(A)	**(B)**	**(C=A+B)**	
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash used in operations	**(1,027,300)**	**(6,613)**	**(1,033,913)**	(1,155,368)
Net cash used in operating activities	**(1,067,352)**	**(6,613)**	**(1,073,965)**	(1,153,959)
Capital element of lease rentals paid	**(5,797)**	**5,797**	**–**	–
Interest element of lease rentals paid	**(816)**	**816**	**–**	–
Net cash generated from/(used in) financing activities	**195,780**	**6,613**	**202,393**	(188,007)

Notes:

(i) "Estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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. During the year ended 31 December 2018, in view of the increasing significance of the Group's overseas business and the continuous integration of its domestic business, the Group has changed the way in how operating segments are presented and reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The five domestic operating segments were combined into one operating segment, namely "Domestic" for the year ended 31 December 2018. As a result, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Domestic: comprises construction contracts carried out in the mainland China.

- 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. Disaggregation of revenue from contracts with customers by timing of revenue recognition and geographical location of customers is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Over time	**1,747,252**	2,138,576
Point in time	**62,401**	39,414
	1,809,653	2,177,990
Disaggregated by geographical location of customers		
Mainland China	**687,570**	1,101,794
Australia	**291,985**	259,091
United Kingdom	**284,841**	316,806
United States of America	**239,283**	206,587
Others	**305,974**	293,712
	1,122,083	1,076,196
	1,809,653	2,177,990

(b) Segment results

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

During the year ended 31 December 2018, in view of the increasing competiveness within the curtain wall systems industry, the management considers it is more important to focus on the profitability of the construction projects within each of the segment identified by the Group. As a result, certain information to be reported internally to the Group's most senior executive has been changed in 2018. Consequently, the measure previously used for reporting segment result has been changed to "adjusted gross profit" (i.e. gross profit after impairment losses for trade receivables and contract assets) from "gross profit". Comparative figures have been adjusted to conform to the current period's segment presentation.

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 2019 and 2018. The Group's other operating expenses, such as selling and administrative expenses, impairment losses for other financial assets and finance costs, are not measured under individual segments.

For the six months ended 30 June 2019, the Group's most senior executive management monitor the Group's assets and liabilities as a whole, accordingly, no segment assets and liabilities information is presented.

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 2019 and 2018 is set out below.

	Six months ended 30 June 2019		
	Domestic	**Overseas**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers and reportable segment revenue	**687,570**	**1,122,083**	**1,809,653**
Reportable segment adjusted gross profit	**170,072**	**186,871**	**356,943**

	Six months ended 30 June 2018		
	Domestic	Overseas	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	1,101,794	1,076,196	2,177,990
Reportable segment adjusted gross profit	149,936	141,809	291,745

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Reportable segment adjusted gross profit	**356,943**	291,745
Other income	**19,535**	21,097
Selling expenses	**(41,040)**	(35,604)
Administrative expenses	**(330,168)**	(302,589)
Expected credit losses of other financial assets	**(33)**	–
Finance costs	**(57,757)**	(37,972)
Loss before taxation	**(52,520)**	(63,323)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Interest on borrowings	**77,872**	59,976
Interest on lease liabilities	**816**	–
Bank charges and other finance costs	**11,988**	7,197
Total borrowing costs	**90,676**	67,173
Interest income	**(6,628)**	(2,888)
Net foreign exchange loss/(gain)	**1,154**	(10,654)
Net gain on forward foreign exchange contracts:		
– net gain on cash flow hedging instruments reclassified from equity	**–**	(9,504)
– net gain on other forward foreign exchange contracts	**(27,445)**	(6,155)
	57,757	37,972

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**365,946**	331,182
Contributions to defined contribution retirement plans	**31,194**	37,105
	397,140	368,287

(c) Other items:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Depreciation and amortisation charge		
– owned property, plant and equipment	**19,681**	20,657
– lease prepayments	**–**	7,108
– right-of-use assets	**8,926**	–
Net gain on disposal of property, plant and equipment	**(3,522)**	(13,868)
Leases previously classified as operating leases under IAS 17	**–**	16,605
Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**9,711**	–
Research and development costs	**33,777**	35,702
Increase in provision for warranties	**37,540**	38,059
Cost of inventories	**1,442,057**	1,829,316

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

5 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax:		
– provision for corporate income tax in respective jurisdictions	**19,940**	13,861
Deferred tax:		
– origination and reversal of temporary differences	**(12,733)**	(14,904)
	7,207	(1,043)

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 2019 (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 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 2019 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 15%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 75% (six months ended 30 June 2018: 50%) of the qualified research and development costs incurred in the PRC by this subsidiary.

Determining tax provision involves judgement on tax treatment of certain transactions. The Group evaluates tax implication of transactions and tax provision are set up accordingly. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the tax provision in the year in which such determination is made.

6 BASIC AND DILUTED LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2019 is calculated based on the loss attributable to equity shareholders of the Company of RMB59,727,000 (six months ended 30 June 2018: RMB71,332,000) and the weighted average of 6,208,147,000 ordinary shares (six months ended 30 June 2018: 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 2019 and 2018.

7 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Contract assets		
Arising from performance under construction contracts	**3,250,870**	3,182,830
Less: loss allowance	**(354,627)**	(351,127)
	2,896,243	2,831,703

Notes:

(i) All of the amounts are expected to be billed within one year, and upon the billing, the amounts of RMB627.6 million at 30 June 2019 (31 December 2018: RMB619.3 million) related to retentions receivable are expected to be recovered over one year.

(ii) Included in the contract assets are amounts of RMB0.7 million at 30 June 2019 (31 December 2018: RMB0.7 million) due from the companies under the control of Mr. Kang Baohua (the "Controlling Shareholder").

(b) Contract liabilities

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Contract liabilities		
Construction Contracts		
– billings in advance of performance	**979,154**	881,998

Notes:

(i) Included in contract liabilities are amounts of RMB10.6 million at 30 June 2019 (31 December 2018: RMB10.5 million) due to the companies under the control of the Controlling Shareholder.

(ii) All of the contract liabilities are expected to be recognised as revenue within one year.

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade receivables for contract work due from:		
– third parties	**3,993,849**	4,308,837
– companies under the control of the Controlling Shareholder	**185,964**	183,187
	4,179,813	4,492,024
Bills receivable for contract work	**35,016**	33,815
Trade receivables for sale of materials due from:		
– third parties	**8,034**	4,245
– companies under the control of the Controlling Shareholder	**2,542**	2,509
	10,576	6,754
	4,225,405	4,532,593
Less: loss allowance	**(1,595,200)**	(1,693,945)
Financial assets measured at amortised cost	**2,630,205**	2,838,648

At 30 June 2019, the amount of retentions receivable from customers included in trade and bills receivables (net of loss allowance) is RMB618.2 million (31 December 2018: RMB641.6 million).

Except for retentions receivable (net of allowance for doubtful debts) of RMB200.7 million at 30 June 2019 (31 December 2018: RMB223.2 million), all of the remaining trade and bills receivables are expected to be recovered within one year.

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

(a) Ageing analysis

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 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 6 months	**467,111**	1,150,098
More than 6 months but less than 1 year	**678,841**	190,413
More than 1 year	**1,484,253**	1,498,137
	2,630,205	2,838,648

9 TRADE AND BILLS PAYABLES

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Trade payables for purchase of inventories due to:		
– third parties	**1,098,432**	1,250,594
– companies under the control of the Controlling Shareholder	**3,819**	2,986
	1,102,251	1,253,580
Trade payables due to sub-contractors	**462,721**	662,687
Bills payable	**216,412**	1,082,365
Financial liabilities measured at amortised cost	**1,781,384**	2,998,632

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 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month or on demand	**1,583,329**	2,272,377
More than 1 month but less than 3 months	**104,277**	270,049
More than 3 months	**93,778**	456,206
	1,781,384	2,998,632

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 2019 (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 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 2019		Year ended 31 December 2018	
	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

11 CONTINGENT LIABILITIES

(a) Guarantees issued

At 30 June 2019, the Group has issued the following guarantees:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Guarantees for construction contracts' bidding, performance and retentions	**2,097,067**	2,054,923

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. 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 RMB8.1 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 review 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 RMB140.5 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, Yuanda Canada Enterprises Ltd. ("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 RMB15.3 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 CAD6.8 million (equivalent to approximately RMB35.6 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) In addition to the lawsuits mentioned in Notes 11(b)(i) and 11(b)(ii), 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 maximum monetary compensation may amount to approximately RMB200.2 million, of which RMB17.3 million has already been provided for and the Group's bank deposits of RMB17.9 million at 30 June 2019 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.

12 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

Certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has been changed in 2018. Accordingly, certain comparative figures of segment reporting have been adjusted to conform to current period's presentation. Further details are set out in Note 3(b).

13 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 7 August 2019, Foshan Yuanda Aluminium Industry Engineering Co., Ltd. ("Foshan Yuanda") entered into a land resumption agreement with a third party in respect of the disposal of land use rights of Foshan Yuanda at a consideration of RMB116.1 million, which has been fully received before the date of this announcement.

BUSINESS REVIEW

Overall performance

Global markets rebounded in the first half of 2019 on the back of the stimulus measures in monetary policy and stable economic development in China and other developed markets. Focusing on internationalised development strategy for years, the Group successfully achieved expansion of overseas market, increase of profit margin and improvement of cash flow by high-quality projects management and incentive mechanism.

For the six months ended 30 June 2019, the loss attributable to equity shareholders of the Company decreased by about RMB11.6 million or 16.3% as compared with the corresponding period of last year to about RMB59.7 million (for the six months ended 30 June 2018: about RMB71.3 million), which was mainly due to a recovery in adjusted gross profit of the Group.

Newly-awarded projects (including VAT)

For the six months ended 30 June 2019, the aggregate amount of newly-awarded projects which the Group has won the bidding of the Group increased by about RMB346.3 million or 26.6% as compared with the corresponding period of last year to about RMB1,646.6 million (for the six months ended 30 June 2018: about RMB1,300.3 million).

Backlog

As at 30 June 2019, the remaining contract value of backlog of the Group decreased by about RMB1,208.4 million or 8.0% as compared with last year to about RMB13,902.4 million (30 June 2018: about RMB15,110.8 million), which the Company expects would be able to support a sustainable development of the Group for the next 2-3 years.

Major technology achievements and awards

For the six months ended 30 June 2019, the Group obtained 2 patents for utility model.

BUSINESS PROSPECTS

In the second half of the year, the Group will maintain a prudent and optimistic view on the market. In terms of operation and management, the Group will pay close attention to the macroeconomic situations at home and abroad, conduct in-depth study on market trends, coordinate optimisation of resource allocation, adhere to the differentiated marketing strategy, continuously strengthen the management of production operation and maintain our leading position in cost efficiency so as to trigger the vitality of the Company, to improve the staff motivation and to bring satisfactory return to the shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the revenue of the Group decreased by about RMB368.3 million or 16.9% as compared with the corresponding period of last year to about RMB1,809.7 million (for the six months ended 30 June 2018: about RMB2,178.0 million). Among which:

1. for the six months ended 30 June 2019, the revenue from domestic market of the Group decreased by about RMB414.2 million or 37.6% as compared with the corresponding period of last year to about RMB687.6 million (for the six months ended 30 June 2018: about RMB1,101.8 million), contributing approximately 38.0% of the total revenue of the Group. The decline is due to the revenue shrank in East and North China; and

2. for the six months ended 30 June 2019, the revenue from overseas market of the Group increased by about RMB45.9 million or 4.3% as compared with the corresponding period of last year to about RMB1,122.1 million (for the six months ended 30 June 2018: about RMB1,076.2 million), contributing approximately 62.0% of the total revenue of the Group.

Cost of sales

For the six months ended 30 June 2019, the cost of sales of the Group decreased by about RMB387.2 million or 21.2% as compared with the corresponding period of last year to about RMB1,442.1 million (for the six months ended 30 June 2018: about RMB1,829.3 million). With the decrease in revenue, the related costs of sales were accordingly decreased.

Adjusted gross profit margin

The Group's adjusted gross profit margin for the Report Period increased by approximately 6.3% to approximately 19.7% (for the six months ended 30 June 2018: approximately 13.4%) which was due to the high gross profit margin of the projects settled during the reporting period. Among which:

1. the Group's domestic adjusted gross profit margin increased by approximately 11.1% as compared with the corresponding period of last year to 24.7% (for the six months ended 30 June 2018: about 13.6%); and

2. the Group's overseas adjusted gross profit margin increased by approximately 3.5% as compared with the corresponding period of last year to 16.7% (for the six months ended 30 June 2018: about 13.2%).

Other income

Other income of the Group primarily comprised of government grants, net income from provision of repairs and maintenance services and net gain on disposal of property, plant and equipment.

For the six months ended 30 June 2019, the other income of the Group decreased by about RMB1.6 million or 7.6% as compared with the corresponding period of last year to about RMB19.5 million (for the six months ended 30 June 2018: about RMB21.1 million). The decrease in the Group's other income was mainly due to the decline in net gain on disposal of property, plant and equipment during the Reporting Period.

Selling expenses

For the six months ended 30 June 2019, the selling expenses of the Group increased by about RMB5.4 million or 15.3% as compared with the corresponding period of last year to about RMB41.0 million (for the six months ended 30 June 2018: about RMB35.6 million), accounted for approximately 2.3% of the operating revenue of the Group (for the six months ended 30 June 2018: 1.6%). The increase was caused by the Group's raising bonuses for sales employees and expenses for expanding business in order to motivate the staff and win new customers under the circumstances that the business volume of the Group declines.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group increased by about RMB27.6 million or 9.1% as compared with the corresponding period of last year to about RMB330.2 million (for the six months ended 30 June 2018: about RMB302.6 million), accounted for approximately 18.2% of the operating revenue of the Group (for the six months ended 30 June 2018: 16.5%). The increase was mainly due to the significant increase in staff cost as a result of the Group's enhancing employee bonuses, intending to retain key staff and boost their morale.

Finance costs

For the six months ended 30 June 2019, the finance costs of the Group increased by about RMB19.8 million or 52.1% as compared with the corresponding period of last year to about RMB57.8 million (for the six months ended 30 June 2018: about RMB38.0 million), accounted for 3.2% of the operating revenue of the Group (for the six months ended 30 June 2018: 1.7%), which was mainly due to the increase in bank and other loan of the Group.

Income tax

For the six months ended 30 June 2019, the income tax expense of the Group was about RMB7.2 million (for the six months ended 30 June 2018: an income tax benefit about RMB1.0 million).

Consolidated net loss

For the six months ended 30 June 2019, the consolidated net loss of the Group decreased by about RMB2.6 million or 4.2% as compared with the corresponding period of last year to about RMB59.7 million (for the six months ended 30 June 2018: about RMB62.3 million).

Loss attributable to equity shareholders of the Company

For the six months ended 30 June 2019, the loss attributable to equity shareholders of the Company of the Group decreased by about RMB11.6 million or 16.3% as compared with the corresponding period of last year to about RMB59.7 million (for the six months ended 30 June 2018: about RMB71.3 million).

Net current assets and financial resources

As at 30 June 2019, the net current assets of the Group increased by about RMB108.0 million or 6.5% to about RMB1,766.1 million as compared to the year ended 2018 (31 December 2018: about RMB1,658.1 million).

As at 30 June 2019, the cash on hand and in bank of the Group decreased by about RMB397.6 million or 23.3% to about RMB1,305.2 million as compared to the year ended 2018 (31 December 2018: about RMB1,702.8 million), mainly denominated in RMB, United States Dollar ("**USD**") and British Pound Sterling ("**GBP**").

Bank and other loans and gearing ratio

As at 30 June 2019, the total bank and other loans of the Group increased by about RMB396.6 million or 16.9% to about RMB2,746.2 million as compared to the year ended 2018 (31 December 2018: about RMB2,349.6 million).

The Group's gearing ratio (calculated by total liabilities divided by total assets) was 71.6% (31 December 2018: 73.1%).

Turnover days of receivables/trade and bills payables/inventory

Turnover days (day)	**For the six months ended 30 June 2019** *(Notes)*	For the year ended 31 December 2018
Receivables *(note 1)*	**467**	398
Trade and bills payables *(note 2)*	**431**	434
Inventory *(note 3)*	**74**	63

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 and the end of the relevant period (net of provision) divided by total revenue of the relevant period and multiplied by 181/365 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 the end of the relevant period divided by cost of raw materials and installation cost of the relevant period and multiplied by 181/365 days.

3. The calculation of inventory turnover days is based on the average amount of raw materials as at the beginning and the end of the relevant period (net of provision) divided by cost of raw materials of the relevant period and multiplied by 181/365 days.

For the six months ended 30 June 2019, the turnover days of receivables of the Group increased by about 69 days or 17.3% to about 467 days (for the year ended 31 December 2018: about 398 days) which was due to the revenue shrink.

Inventories and contract costs

The Group's inventories primarily consist of materials used in fabrication of curtain wall products, including extrusions aluminium, glass, steel and sealant. Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory.

As at 30 June 2019, the inventory and contract costs of the Group decreased by about RMB76.0 million or 18.7% to about RMB331.1 million as compared to the year ended 2018 (31 December 2018: about RMB407.1 million).

Capital expenditure

For the six months ended 30 June 2019, the payment for capital expenditure of the Group was about RMB1.0 million, which was mainly related to purchase of equipment.

Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, GBP 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 2019 are set out in Note 11.

Charge on assets

At 30 June 2019, the aggregate carrying value of the property, plant and equipment, land use rights and assets classified as held for sale pledged for the Group's bank loans is RMB776.0 million.

At 30 June 2019, the carrying value of the time deposits and trade receivables pledged for the Group's long-term bank loans is RMB125.0 million and USD161.9 million respectively.

At 30 June 2019, the carrying value of the time deposits pledged for the Group's short-term bank loans is RMB300.0 million.

Save as disclosed above, the Group had no other charge on its assets as at 30 June 2019.

Material acquisitions and disposals

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

Resumption of land in Foshan

On 7 August 2019, the Group entered into an agreement with local representatives in Foshan pursuant to which the Group surrendered one parcel of land in Foshan City for a compensation of RMB116,060,000. For future details, please refer to the announcement of the Company dated 7 August 2019 and Note 13.

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 2019, an accumulated amount of approximately HK$2,030 million of proceeds from the Global Offering (of which expansion of production capacity: HK$587 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$373 million will be used in accordance to the proposed allocation as stated in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 4,104 full-time employees in total (31 December 2018: 4,604). The decrease in number of full-time employees was a result of the Group's head count 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 INFORMATION

The unaudited interim financial information of the Company for the six months ended 30 June 2019 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 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 2019, 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 2019.

INTERIM DIVIDEND

The Board has resolved not to declare any annual dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE GROUP

For the six months ended 30 June 2019, 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 Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Group (http://www.yuandacn.com). The annual interim report of the Company for the six months ended 30 June 2019 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 2019

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.