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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 2020**

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 2020 (the “**Reporting Period**”).

	<b>For the six months ended 30 June 2020 (Approximate)</b>	<b>For the six months ended 30 June 2019 (Approximate)</b>	<b>Percentage Change (Approximate)</b>
Revenue <i>(RMB million)</i>	<b>1,112.8</b>	1,809.7	(38.5%)
Adjusted gross profit margin <i>(Note)</i>	<b>5.7%</b>	19.7%	(14.0%)
Consolidated net loss <i>(RMB million)</i>	<b>(246.5)</b>	(59.7)	>100%
Loss attributable to equity shareholders of the Company <i>(RMB million)</i>	<b>(246.5)</b>	(59.7)	>100%
Net cash used in operating activities <i>(RMB million)</i>	<b>(933.0)</b>	(1,067.4)	(12.6%)
Basic and diluted loss per share <i>(RMB cents)</i>	<b>(3.97)</b>	(0.96)	>100%
Proposed interim dividend per share <i>(HKD cents)</i>	<b>NIL</b>	NIL	

*Note:* Adjusted gross profit margin represents gross profit less impairment losses for trade receivables and contract assets.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS****For the six months ended 30 June 2020 – unaudited***(Expressed in Renminbi (“RMB”))*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>	3	<b>1,112,842</b>	1,809,653
Cost of sales		<b>(897,535)</b>	(1,442,057)
<b>Gross profit</b>		<b>215,307</b>	367,596
Other income		<b>9,920</b>	19,535
Selling expenses		<b>(45,919)</b>	(41,040)
Administrative expenses		<b>(262,391)</b>	(330,168)
Expected credit losses of financial and contract assets		<b>(152,048)</b>	(10,686)
<b>(Loss)/profit from operations</b>		<b>(235,131)</b>	5,237
Finance costs	4(a)	<b>(15,346)</b>	(57,757)
<b>Loss before taxation</b>	4	<b>(250,477)</b>	(52,520)
Income tax	5	<b>3,963</b>	(7,207)
<b>Loss for the period attributable to equity shareholders of the Company</b>		<b>(246,514)</b>	(59,727)
<b>Loss per share (RMB cents)</b>			
– Basic and diluted	6	<b>(3.97)</b>	(0.96)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Loss for the period</b>	<b>(246,514)</b>	<b>(59,727)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
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	<u>(37,227)</u>	<u>17,281</u>
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b><u>(283,741)</u></b>	<b><u>(42,446)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in RMB)

	<i>Note</i>	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		369,661	387,236
Right-of-use assets		238,888	249,404
Investment properties		36,142	31,135
Deferred tax assets		473,144	466,236
		<u>1,117,835</u>	<u>1,134,011</u>
<b>Current assets</b>			
Inventories and other contract costs		305,683	322,001
Contract assets	7(a)	2,098,695	2,568,142
Trade and bills receivables	8	2,951,945	2,918,319
Deposits, prepayments and other receivables		675,006	712,604
Cash on hand and in bank		1,880,742	1,878,068
		<u>7,912,071</u>	<u>8,399,134</u>
<b>Current liabilities</b>			
Trade and bills payables	9	1,736,416	2,582,442
Contract liabilities	7(b)	665,953	823,187
Accrued expenses and other payables		2,304,918	1,265,355
Bank loans		1,017,200	1,645,000
Income tax payable		212,750	226,930
Provision for warranties		66,883	82,023
		<u>6,004,120</u>	<u>6,624,937</u>
<b>Net current assets</b>		<u>1,907,951</u>	<u>1,774,197</u>
<b>Total assets less current liabilities</b>		<u>3,025,786</u>	<u>2,908,208</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)****At 30 June 2020 – unaudited***(Expressed in RMB)*

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
<b>Non-current liabilities</b>		
Bank loans	400,000	–
Lease liabilities	2,190	2,554
Deferred tax liabilities	236	173
Provision for warranties	175,406	173,786
	<u>577,832</u>	<u>176,513</u>
<b>NET ASSETS</b>	<b><u>2,447,954</u></b>	<b><u>2,731,695</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	519,723	519,723
Reserves	1,928,231	2,211,972
<b>TOTAL EQUITY</b>	<b><u>2,447,954</u></b>	<b><u>2,731,695</u></b>

## 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

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

### 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 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. The majority of the Group's revenue is recognised over time. 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	
	2020 RMB'000	2019 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Over time	1,055,600	1,747,252
Point in time	57,242	62,401
	<u>1,112,842</u>	<u>1,809,653</u>
<b>Disaggregated by geographical location of customers</b>		
Mainland China	495,566	687,570
United States of America	156,418	239,283
United Kingdom	130,781	284,841
Australia	85,724	291,985
Others	244,353	305,974
	<u>617,276</u>	<u>1,122,083</u>
	<u>1,112,842</u>	<u>1,809,653</u>

**(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:

The measure used for reporting segment result is "adjusted gross profit" (i.e. gross profit less impairment losses for trade receivables and contract assets).

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 2020 and 2019. 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.

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 2020 and 2019 is set out below.

	<b>Six months ended 30 June 2020</b>		
	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from external customers and reportable segment revenue</b>	<b>495,566</b>	<b>617,276</b>	<b>1,112,842</b>
<b>Reportable segment adjusted gross (loss)/profit</b>	<b>(23,865)</b>	<b>87,144</b>	<b>63,279</b>
	<b>Six months ended 30 June 2019</b>		
	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
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



(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment adjusted gross profit	63,279	356,943
Other income	9,920	19,535
Selling expenses	(45,919)	(41,040)
Administrative expenses	(262,391)	(330,168)
Expected credit losses of other financial assets	(20)	(33)
Finance costs	(15,346)	(57,757)
	<u>(15,346)</u>	<u>(57,757)</u>
Loss before taxation	<u>(250,477)</u>	<u>(52,520)</u>

4 LOSS BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	104,829	77,872
Interest on lease liabilities	270	816
Bank charges and other finance costs	15,713	11,988
	<u>15,713</u>	<u>11,988</u>
Total borrowing costs	120,812	90,676
Interest income	(20,775)	(6,628)
Net foreign exchange (gain)/loss	(59,451)	1,154
Net gain on forward foreign exchange contracts	(25,240)	(27,445)
	<u>(25,240)</u>	<u>(27,445)</u>
	<u>15,346</u>	<u>57,757</u>

(b) Staff costs:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	333,157	365,946
Contributions to defined contribution retirement plans	14,605	31,194
	<u>347,762</u>	<u>397,140</u>

(c) Other items:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation		
– owned property, plant and equipment	16,468	19,681
– right-of-use assets	9,108	8,926
– investment properties	520	–
Net loss/(gain) on disposal of property, plant and equipment	129	(3,522)
Short-term leases	8,745	9,711
Research and development costs	33,149	33,777
Increase in provision for warranties	22,212	37,540
Cost of inventories	897,535	1,442,057
	<u>897,535</u>	<u>1,442,057</u>

5 INCOME TAX

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
– provision for corporate income tax in respective jurisdictions	2,382	19,940
Deferred tax:		
– origination and reversal of temporary differences	(6,345)	(12,733)
	<u>(3,963)</u>	<u>7,207</u>

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 2020 (six months ended 30 June 2019: 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 2020 (six months ended 30 June 2019: 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 2020 (six months ended 30 June 2019: 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 30% for the six months ended 30 June 2020 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2019: 8.5% to 35%).

One of the subsidiaries of the Group established in the PRC is taxed as an enterprise with advanced and new technologies and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2019: 75%) 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 2020 is calculated based on the loss attributable to equity shareholders of the Company of RMB246,514,000 (six months ended 30 June 2019: RMB59,727,000) and the weighted average of 6,208,147,000 ordinary shares (six months ended 30 June 2019: 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 2020 and 2019.

## 7 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
<b>Contract assets</b>		
Arising from performance under construction contracts	2,511,530	2,959,015
Less: loss allowance	<u>(412,835)</u>	<u>(390,873)</u>
	<b><u>2,098,695</u></b>	<b><u>2,568,142</u></b>

### (b) Contract liabilities

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
<b>Contract liabilities</b>		
Construction contracts		
– billings in advance of performance	<b><u>665,953</u></b>	<b><u>823,187</u></b>

## 8 TRADE AND BILLS RECEIVABLES

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Trade receivables for contract work due from:		
– third parties	<b>4,098,930</b>	3,959,752
– companies under the control of the Controlling Shareholder	<b>177,252</b>	180,270
	<b>4,276,182</b>	4,140,022
Bills receivable for contract work	<b>113,081</b>	86,878
Trade receivables for sale of materials due from:		
– third parties	<b>7,080</b>	3,472
– companies under the control of the Controlling Shareholder	<b>1,840</b>	1,777
	<b>8,920</b>	5,249
	<b>4,398,183</b>	4,232,149
Less: loss allowance	<b>(1,446,238)</b>	(1,313,830)
Financial assets measured at amortised cost	<b>2,951,945</b>	2,918,319

### 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:

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Within 1 year	<b>1,161,068</b>	1,114,630
More than 1 year	<b>1,790,877</b>	1,803,689
	<b>2,951,945</b>	2,918,319

## 9 TRADE AND BILLS PAYABLES

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Trade payables for purchase of inventories due to:		
– third parties	<b>947,950</b>	1,074,014
– companies under the control of the Controlling Shareholders	<b>1,905</b>	1,817
	<b>949,855</b>	1,075,831
Trade payables due to sub-contractors	<b>580,452</b>	686,194
Bills payable	<b>206,109</b>	820,417
	<b>1,736,416</b>	2,582,442
Financial liabilities measured at amortised cost	<b>1,736,416</b>	2,582,442

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:

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Within 1 month or on demand	<b>1,571,033</b>	2,059,570
More than 1 month but less than 3 months	<b>82,485</b>	122,718
More than 3 months	<b>82,898</b>	400,154
	<b>1,736,416</b>	2,582,442

## 10 DIVIDENDS

### (a) 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 2020 (six months ended 30 June 2019: HK\$Nil).

### (b) 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 2020 (six months ended 30 June 2019: HK\$Nil).

## 11 CONTINGENT LIABILITIES

### (a) Guarantees issued

At 30 June 2020, the Group has issued the following guarantees:

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Guarantees for construction contracts' bidding, performance and retentions	<b><u>2,027,896</u></b>	<b><u>1,901,761</u></b>

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 RMB7.7 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 RMB132.3 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) 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 RMB46.0 million) and applied for a protection order in relation to letters of guarantee of USD7.6 million (equivalent to approximately RMB53.8 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 RMB256.7 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 RMB19.8 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 RMB132.4 million). Based on the above judgement, Yapi Bank made unilateral payment to Rasen Stroy of USD7.6 million (equivalent to approximately RMB53.8 million) under the letters of guarantee, 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 RMB24.1 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 RMB53.8 million) to Rasen Stroy. On 11 April 2018, Shenyang Court ruled in favor of Shenyang Yuanda. Yapi Bank later on filed an appeal. The Supreme People’s Court of Liaoning rejected Yapi Bank’s appeal on 28 April 2019. Yapi Bank later on filed a second appeal. As at the date of this announcement, the lawsuit is under review by the Supreme People’s Court in Beijing. If Shenyang Yuanda is found to be liable, the total compensation is estimated to be the deposits of USD7.6 million (equivalent to approximately RMB53.8 million).

As at the date of this announcement, Yuanda Russia continues to deny any liability in respect of Rasen Stroy’s counterclaim and Shenyang Yuanda continues 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.

- (iii) In January 2018, Shenyang Yuanda sued a customer in Beijing Third Intermediate People’s Court to demand payment of the outstanding construction payable of RMB48.1 million, later the customer filed a counterclaim against Shenyang Yuanda claiming for RMB102.9 million due to additional costs incurred for project delays and quality defects. As at the date of this announcement, the lawsuit is under review by the Beijing Third Intermediate People’s Court. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately RMB102.9 million. Shenyang Yuanda 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 Shenyang Yuanda. No provision had therefore been made in respect of this claim.



- (iv) In addition to the lawsuit mentioned in Notes 11(b)(i) to 11(b)(iii), certain subsidiaries of the Group are named defendants on other lawsuits or arbitrations in respect of construction work carried out by them. 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 RMB299.1 million, of which RMB18.7 million has already been provided for and the Group's bank deposits of RMB65.6 million at 30 June 2020 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 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

As the Company does not expect to grant further share awards under the Share Award Scheme prior to its expiry on 9 April 2023 and in order to reduce administrative cost and improve the cashflow position of the Company, the directors of the Company have resolved to terminate the Share Award Scheme with effect from 29 July 2020. Any shares and other non-cash assets remaining in the trust fund have been sold by the Trust as at the date of this announcement.

**13 IMPACTS OF COVID-19 PANDEMIC**

The COVID-19 Pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has commenced to put in place various contingency measures. These contingency measures included but not limited to, assessing the readiness of the production units and revisiting the progress of curtain wall systems projects, reassessing the adequacy and suitability of the Group's existing suppliers inventory of raw materials, the expanding of the Group's supplier base in a view to negotiating with customers on possible delay in delivery timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions.

As far as the Group's businesses are concerned, if the COVID-19 pandemic situation evolves, the production and delivery would be further delayed on curtain wall systems construction, but the directors of the Company consider that such impact could be reduced by the Group's expedition of the production/construction process when the situation resume to normal. In addition, the COVID-19 pandemic also significantly impact the repayment abilities of the Group's debtors and the willingness of the main contractor to promote construction, which in turn result in additional impairment losses on trade receivables and/or contract assets in current period and the credit risk may continue to increase in future periods.

## **BUSINESS REVIEW**

### **Overall performance**

In the first half of 2020, a deceleration in global economic growth expectations due to the Novel Coronavirus (“COVID-19”) pandemic dampened investor confidence in the future. The quarantine measures taken by multiple countries led to a temporary suspension of the operation of the Group’s construction projects which delayed the recognition of revenue.

For the six months ended 30 June 2020, the loss attributable to equity shareholders of the Company of the Group increased by about RMB186.8 million or 312.9% as compared with the corresponding period of last year to about RMB246.5 million (for the six months ended 30 June 2019: about RMB59.7 million), which was mainly due to the suspension of construction project caused by COVID-19.

### **Newly-awarded projects( including VAT)**

For the six months ended 30 June 2020, the aggregate amount of newly-awarded projects of the Group decreased by about RMB1,274.3 million or 77.4% as compared with the corresponding period of last year to about RMB372.3 million (for the six months ended 30 June 2019: about RMB1,646.6 million).

### **Backlog**

As at 30 June 2020, the remaining contract value of backlog of the Group decreased by about RMB968.8 million or 7.5% as compared with last year to about RMB11,958.8 million (31 December 2019: about RMB12,927.6 million), which could 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 2020, the Group obtained 18 patents for utility model.

## **BUSINESS PROSPECTS**

The uncertainty as to when the COVID-19 pandemic can be fully contained has made the Group’s operating environment extremely challenging. The Group will continue to closely monitor the development of the COVID-19 pandemic, pay close attention to cash flow management, integrate existing resources and actively adjust business plans to ensure stability in transition amid such difficult times while making full preparation for business recovery immediately upon the COVID-19 pandemic being contained.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2020, the revenue of the Group decreased by about RMB696.9 million or 38.5% as compared with the corresponding period of last year to about RMB1,112.8 million (for the six months ended 30 June 2019: about RMB1,809.7 million). Among which:

1. for the six months ended 30 June 2020, the revenue from domestic market of the Group decreased by about RMB192.0 million or 28.0% as compared with the corresponding period of last year to about RMB495.6 million (for the six months ended 30 June 2019: about RMB687.6 million), contributing approximately 44.5% of the total revenue of the Group; and
2. for the six months ended 30 June 2020, the revenue from overseas market of the Group decreased by about RMB504.8 million or 45.0% as compared with last year to about RMB617.3 million (for the six months ended 30 June 2019: about RMB1,122.1 million), contributing approximately 55.5% of the total revenue of the Group.

### Cost of sales

For the six months ended 30 June 2020, the cost of sales of the Group decreased by about RMB544.6 million or 37.8% as compared with the corresponding period of last year to about RMB897.5 million (for the six months ended 30 June 2019: about RMB1,442.1 million). With the decrease in revenue, the related costs of sales were accordingly decreased.

### Adjusted gross profit margin

For the six months ended 30 June 2020, the Group's adjusted gross profit margin decreased by approximately 14.0% to approximately 5.7% (for the six months ended 30 June 2019: approximately 19.7%). The main reason was due to the adverse effect that were brought about by COVID-19 to the Group's business, which led to substantial postponement to the construction progress. Among which:

1. For the six months ended 30 June 2020, the Group's domestic adjusted gross profit margin decreased by approximately 29.5% as compared with the corresponding period of last year to -4.8% (for the six months ended 30 June 2019: about 24.7%); and
2. For the six months ended 30 June 2020, the Group's overseas adjusted gross profit margin decreased by approximately 2.6% as compared with the corresponding period of last year to 14.1% (for the six months ended 30 June 2019: about 16.7%).

### Other income

Other income of the Group primarily comprised of government grants, rental income, 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 2020, the other income of the Group decreased by about RMB9.6 million or 49.2% as compared with the corresponding period of last year to about RMB9.9 million (for the six months ended 30 June 2019: about RMB19.5 million). The decrease in the Group's other income was mainly due to the decline in government grants and net gain on disposal of property, plant and equipment during the Reporting Period.

### **Selling expenses**

For the six months ended 30 June 2020, the selling expenses of the Group increased by about RMB4.9 million or 11.9% as compared with the corresponding period of last year to about RMB45.9 million (for the six months ended 30 June 2019: about RMB41.0 million), accounted for approximately 4.1% of the operating revenue of the Group (for the six months ended 30 June 2019: 2.3%).

### **Administrative expenses**

For the six months ended 30 June 2020, the administrative expenses of the Group decreased by about RMB67.8 million or 20.5% as compared with the corresponding period of last year to about RMB262.4 million (for the six months ended 30 June 2019: about RMB330.2 million), accounted for approximately 23.6% of the operating revenue of the Group (for the six months ended 30 June 2019: 18.2%).

### **Finance costs**

For the six months ended 30 June 2020, the finance costs of the Group decreased by about RMB42.5 million or 73.5% as compared with the corresponding period of last year to about RMB15.3 million (for the six months ended 30 June 2019: about RMB57.8 million), accounted for 1.4% of the operating revenue of the Group (for the six months ended 30 June 2019: 3.2%), which was mainly due to the increase of net foreign exchange gain.

### **Consolidated net loss**

For the six months ended 30 June 2020, the consolidated net loss of the Group increased by about RMB186.8 million or 312.7% as compared with last year to about RMB246.5 million (for the six months ended 30 June 2019: about RMB59.7 million).

### **Loss attributable to equity shareholders of the Company**

For the six months ended 30 June 2020, the loss attributable to equity shareholders of the Company of the Group increased by about RMB186.8 million or 312.7% as compared with last year to about RMB246.5 million (for the six months ended 30 June 2019: about RMB59.7 million).

## Net current assets and financial resources

As at 30 June 2020, the net current assets of the Group increased by about RMB133.8 million or 7.5% as compared with that as at the year end of 2019 to about RMB1,908.0 million (31 December 2019: about RMB1,774.2 million).

As at 30 June 2020, the cash on hand and in bank of the Group increased by about RMB2.6 million or 0.1% as compared with that as at the year end of 2019 to about RMB1,880.7 million (31 December 2019: about RMB1,878.1 million), mainly denominated in RMB, USD, Qatar Riyal (“QAR”) and British Pound Sterling (“GBP”).

## Bank loans and gearing ratio

As at 30 June 2020, the total bank loan of the Group decreased by about RMB227.8 million or 13.8% as compared with that as at the year end of 2019 to about RMB1,417.2 million (31 December 2019: about RMB1,645.0 million).

The Group’s gearing ratio (calculated by total liabilities divided by total assets) was 72.9% (31 December 2019: 71.3%).

## Turnover days of receivables/trade and bills payables/inventories and other contract costs

<b>Turnover days (day)</b>	<b>For the six months ended 30 June 2020</b>	<b>For the year ended 31 December 2019</b>
Receivables ( <i>note 1</i> )	<b>736</b>	427
Trade and bills payables ( <i>note 2</i> )	<b>661</b>	485
Inventories and other contract costs ( <i>note 3</i> )	<b>120</b>	74

### 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 ending 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 ending 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 inventories and other contract costs 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 181/365 days.

For the six months ended 30 June 2020, the turnover days of receivables of the Group increased by about 309 days or 72.4% as compared with the year ended 2019 to about 736 days (for the year ended 31 December 2019: about 427 days) which was due to the revenue shrink.

## **Inventories and other contract costs**

The Group's inventories primarily consist of materials used in fabrication of curtain wall products, including extrusions aluminum, glass, steel and sealant. Other 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 2020, the inventories and other contract costs of the Group decreased by about RMB16.3 million or 5.1% as compared with the year ended 2019 to about RMB305.7 million (31 December 2019: about RMB322.0 million).

## **Capital expenditure**

For the six months ended 30 June 2020, the payment for capital expenditure of the Group increased by about RMB1.1 million or 116.9% as compared with the corresponding period of last year to about RMB2.1 million (for the six months ended 30 June 2019: about RMB1.0 million), which was mainly related to the payment on construction of plant and purchase of equipment.

## **Foreign exchange risk**

The overseas projects of the Group were mainly dominated in USD, GBP and AUD. 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 2020 are set out in Note 11.

## **Charge on assets**

As at 30 June 2020, the aggregate carrying value of the property, plant and equipment, land use rights pledged for the Group's bank loans is RMB430.8 million.

As at 30 June 2020, the carrying value of the deposits pledged for the Group's bank loans is RMB30.0 million, the carrying value of the time deposits and deposits pledged for the bank bills and letter of credit issued by the Group is RMB1,178.5 million.

Save as disclosed above, the Group had no other charge on its assets as at 30 June 2020.

## **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 2020, an accumulated amount of approximately HK\$2,043 million of proceeds from the Global Offering (of which expansion of production capacity: HK\$600 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\$360 million will be used in accordance to the proposed allocation as stated in the Prospectus in 1 to 5 years.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had 3,523 full-time employees in total (31 December 2019: 4,016). 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.

On 29 July 2020, the Group terminated the Share Award Scheme. Details of termination of the Share Award Scheme are set out in the announcement of the Company dated 29 July 2020.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The interim financial report for the six months ended 30 June 2020 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, whose unmodified review report is included in the interim report to be sent 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 2020, 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 2020.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any annual dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE GROUP**

For the six months ended 30 June 2020, 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 2020 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, 31 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Kang Baohua, Mr. Liu Futao, Mr. Ma Minghui, Mr. Wang Hao, Mr. Zhao Zhongqiu, 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.*