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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 2022

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 2022 (the “**Reporting Period**”). The interim financial information of the Group for the six months ended 30 June 2022 has not been audited, but has been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

The financial information relating to the financial year ended 31 December 2021 that is included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year. As at the date of this announcement, the auditing process for the consolidated financial statements of the Group for the year ended 31 December 2021 has not been completed. Shareholders and potential investors are reminded that the unaudited financial information relating to the financial year ended 31 December 2021 as included in this announcement might be subject to adjustment. The Company will make further announcement in case of any adjustment.

FINANCIAL HIGHLIGHTS	For the six months ended 30 June 2022 (Approximate)	For the six months ended 30 June 2021 (Approximate)
Revenue <i>(RMB million)</i>	1,302.2	1,442.3
Adjusted gross profit margin <i>(Note)</i>	9.1%	19.3%
Profit for the period attributable to equity shareholders of the Company <i>(RMB million)</i>	4.7	6.2
Net cash used in operating activities <i>(RMB million)</i>	(193.1)	(276.3)
Basic and diluted earnings per share <i>(RMB cents)</i>	0.08	0.10
Proposed interim dividend per share <i>(HKD cents)</i>	NIL	NIL

Note: Adjusted gross profit margin represents gross profit margin after impairment losses of trade receivables and contract assets.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Revenue	3	1,302,201	1,442,332
Cost of sales		(1,169,454)	(1,155,223)
Gross profit		132,747	287,109
Other income		8,336	23,507
Selling expenses		(22,137)	(35,600)
Administrative expenses		(163,918)	(211,802)
Expected credit losses of financial and contract assets		(14,544)	(9,253)
(Loss)/profit from operations		(59,516)	53,961
Finance income/(costs)	4(a)	76,965	(35,026)
Profit before taxation	4	17,449	18,935
Income tax	5	(12,723)	(12,690)
Profit for the period attributable to equity shareholders of the Company		4,726	6,245
Earnings per share (RMB cents)			
– Basic and diluted	6	0.08	0.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	4,726	6,245
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that is or may be reclassified subsequently to profit or loss:		
– exchange differences on translation	(2,668)	18,480
Total comprehensive income for the period attributable to equity shareholders of the Company	2,058	24,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in RMB)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		303,711	313,176
Right-of-use assets		218,471	221,034
Investment properties		33,153	33,106
Deferred tax assets		346,491	349,623
		<hr/> 901,826	<hr/> 916,939
		-----	-----
Current assets			
Inventories and other contract costs		347,155	432,070
Contract assets	7(a)	1,549,744	1,580,502
Trade and bills receivables	8	1,645,538	1,583,507
Deposits, prepayments and other receivables		630,520	588,329
Cash on hand and in bank		959,558	1,679,003
		<hr/> 5,132,515	<hr/> 5,863,411
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Current liabilities			
Trade and bills payables	9	1,604,710	1,824,425
Contract liabilities	7(b)	463,565	514,899
Accrued expenses and other payables		1,358,639	1,870,021
Bank loans		970,000	560,000
Income tax payable		255,819	241,356
Provision for warranties		51,783	38,973
		<hr/> 4,704,516	<hr/> 5,049,674
		-----	-----
Net current assets		<hr/> 427,999	<hr/> 813,737
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Total assets less current liabilities		<hr/> 1,329,825	<hr/> 1,730,676
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2022 – unaudited**(Expressed in RMB)*

	At	At
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Non-current liabilities		
Bank loans	–	390,000
Lease liabilities	4,506	2,553
Provision for warranties	171,263	186,125
	<hr/>	<hr/>
	175,769	578,678
	<hr/>	<hr/>
NET ASSETS	1,154,056	1,151,998
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Share capital	519,723	519,723
Reserves	634,333	632,275
	<hr/>	<hr/>
TOTAL EQUITY	1,154,056	1,151,998
	<hr/>	<hr/>

NOTES

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

The 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 information has been prepared in accordance with the same accounting policies adopted in the 2021, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The Group had been in a loss-making position for the years ended 31 December 2020 and 2021 due to the outbreak of Covid-19 and the volatility and downturn of real estate market. As at 30 June 2022, the Group had cash on hand and in bank of RMB959,558,000 while the Group had bank loans due within 1 year or on demand of RMB970,000,000. If the Group is not able to generate sufficient cash flows from future operations and/or other sources, it will be unable to meet its liabilities in full when they fall due.

In this regard, the directors of the Company have identified initiatives to address the Group’s liquidity needs, which include the following:

- the Group continues to improve its operating cash flows by accelerating the progress billings and collection of trade receivables, negotiating with suppliers on payment terms, and reduction of operation expenses; and
- the Group continues the negotiations with various banks, including but not limited to:
 - (i) renewal of the bank loans upon maturity; and/or
 - (ii) provision of additional bank facilities to the Group.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the interim financial information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the interim financial information.

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 IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*
- Amendments to IFRS 3, *Business Combinations “Reference to the conceptual frame work”*
- Annual Improvements to IFRS Standards 2018-2020

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this announcement. 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	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers		
within the scope of IFRS 15		
Over time	1,301,717	1,398,643
Point in time	484	43,689
	1,302,201	1,442,332
Disaggregated by geographical location of customers		
Mainland China	461,154	598,875
United Kingdom	382,121	259,317
Australia	251,155	107,537
United States of America	16,682	181,584
Others	191,089	295,019
	841,047	843,457
	1,302,201	1,442,332

(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 2022 and 2021. 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 2022 and 2021 is set out below.

	Six months ended 30 June 2022		
	Domestic <i>RMB'000</i>	Overseas <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	461,154	841,047	1,302,201
Reportable segment adjusted gross profit	26,445	91,758	118,203
	Six months ended 30 June 2021		
	Domestic <i>RMB'000</i>	Overseas <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	598,875	843,457	1,442,332
Reportable segment adjusted gross profit	132,740	145,406	278,146

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Reportable segment adjusted gross profit	118,203	278,146
Other income	8,336	23,507
Selling expenses	(22,137)	(35,600)
Administrative expenses	(163,918)	(211,802)
Expected credit losses of other financial assets	–	(290)
Finance income/(costs)	76,965	(35,026)
Profit before taxation	17,449	18,935

4 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	43,398	49,188
Interest on lease liabilities	266	193
Bank charges and other finance costs	6,934	9,297
	<hr/>	<hr/>
Total borrowing costs	50,598	58,678
Interest income	(17,719)	(14,646)
Net foreign exchange (gain)/loss	(102,747)	37,281
Net gain on forward foreign exchange contracts	(7,097)	(46,287)
	<hr/>	<hr/>
	(76,965)	35,026
	<hr/> <hr/>	<hr/> <hr/>

(b) Staff costs:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	216,297	260,093
Contributions to defined contribution retirement plans	17,591	20,097
	<hr/>	<hr/>
	233,888	280,190
	<hr/> <hr/>	<hr/> <hr/>

(c) Other items:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation		
– owned property, plant and equipment	14,029	15,820
– right-of-use assets	13,843	15,542
– investment properties	600	600
Net gain on disposal of property, plant and equipment	(33)	(13,266)
Research and development costs	23,386	38,129
Increase in provision for warranties	25,240	25,458
Cost of inventories	1,169,454	1,155,223
	<hr/> <hr/>	<hr/> <hr/>

5 INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax:		
– provision for corporate income tax in respective jurisdictions	10,508	5,182
Deferred tax:		
– origination and reversal of temporary differences	2,215	7,508
	<u>12,723</u>	<u>12,690</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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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 2022 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2021: 8.5% to 30%).

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 2022 (six months ended 30 June 2021: 15%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 100% (six months ended 30 June 2021: 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 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2022 is calculated based on the profit attributable to equity shareholders of the Company of RMB4,726,000 (six months ended 30 June 2021: a profit of RMB6,245,000) and the weighted average of 6,208,734,000 ordinary shares (six months ended 30 June 2021: 6,208,734,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

There are no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021. Hence, the diluted earnings per share is the same as basic earnings per share.

7 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Contract assets		
Arising from performance under construction contracts	2,372,940	2,363,737
Less: loss allowance	(823,196)	(783,235)
	<u>1,549,744</u>	<u>1,580,502</u>

(b) Contract liabilities

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Contract liabilities		
Construction contracts		
– billings in advance of performance	463,565	514,899
	<u>463,565</u>	<u>514,899</u>

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables for contract work due from:		
– third parties	3,276,836	3,230,692
– companies under the control of the Controlling Shareholder	167,363	164,061
	<u>3,444,199</u>	<u>3,394,753</u>
Bills receivable for contract work	<u>96,114</u>	<u>107,103</u>
Trade receivables for sale of materials due from:		
– third parties	10,746	5,405
– companies under the control of the Controlling Shareholder	2,289	1,720
	<u>13,035</u>	<u>7,125</u>
	<u>3,553,348</u>	<u>3,508,981</u>
<i>Less: loss allowance</i>	<u>(1,907,810)</u>	<u>(1,925,474)</u>
Financial assets measured at amortised cost	<u><u>1,645,538</u></u>	<u><u>1,583,507</u></u>

9 TRADE AND BILLS PAYABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables for purchase of inventories due to:		
– third parties	881,904	1,003,156
– companies under the control of the Controlling Shareholders	1,998	5,667
	<u>883,902</u>	<u>1,008,823</u>
Trade payables due to sub-contractors	600,357	621,489
Bills payable	<u>120,451</u>	<u>194,113</u>
Financial liabilities measured at amortised cost	<u><u>1,604,710</u></u>	<u><u>1,824,425</u></u>

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

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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: HK\$Nil).

11 CONTINGENT LIABILITIES

(a) Guarantees issued

At 30 June 2022, the Group has issued the following guarantees:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Guarantees for construction contracts' bidding, performance and retentions	<u>703,441</u>	<u>749,875</u>

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 RMB7.0 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 RMB119.9 million) plus accrued interest. Shenyang Yuanda and Yuanda India deny any liability in respect of the appeal filed by the former sub-contractor and 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 addition to the lawsuit mentioned in Note 11(b)(i), 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 RMB121.9 million, of which RMB15.2 million has already been provided for and the Group’s bank deposits of RMB25.1 million at 30 June 2022 was frozen by courts for certain of these lawsuits. 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 IMPACTS OF COVID-19 PANDEMIC AND HEIGHTENED GEOPOLITICAL TENSIONS

The COVID-19 pandemic since early 2020 and the heightened geopolitical tensions arising from recent events continues to bring uncertainties to the Group's operating environment and may impact on the Group's operations and financial position. During the six months ended 30 June 2022, preventive and control measures such as working from home, travel restrictions and quarantine were adopted in certain cities due to the outbreak of COVID-19, the Group's projects located in such cities was deferred during the period when such measures was taken,

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 variants. In addition, the heightened geopolitical tensions arising from recent events across the globe brings additional uncertainties to world economies as these events developed. Accordingly, the Group has been closely monitoring the impact of the developments on the Group's business and keep contingency measures in place and under review. The directors of the Company confirm that 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. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the production and delivery on curtain wall systems construction would be further delayed by the Covid-19 related preventive measures and heightened geopolitical tensions, 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 and the credit risk may continue to increase in future periods.

BUSINESS REVIEW

Overall performance

In the first half of 2022, the global economy remained challenging and uncertain. Although vaccination coverage increased, frequent and sporadic outbreaks of COVID-19 continued. During the period, easing lockdown and restriction measures on COVID-19 in many countries gradually brings the business confidence.

In Mainland China, according to the National Bureau of Statistics of China, China's GDP in the first half of 2022 was RMB56,264.2 billion, a year-on-year increase of 2.5%. The central government had provided accommodative monetary policy and necessary fiscal stimulus to ensure economic recovery.

For the six months ended 30 June 2022, the profit attributable to equity shareholders of the Company of the Group decreased by about RMB1.5 million or 24.3% as compared with last year to about RMB4.7 million (for the six months ended 30 June 2021: about RMB6.2 million).

Newly-awarded projects (including VAT)

For the six months ended 30 June 2022, the aggregate amount of newly-awarded projects of the Group decreased by about RMB288.2 million or 18.6% as compared with last year to about RMB1,259.5 million (for the six months ended 30 June 2021: about RMB1,574.7 million). The main reason for the decrease was that the Group took a more prudent and cautious operating strategy to avoid the credit risks from customers whose cash flow may be affected by COVID-19.

Backlog

As at 30 June 2022, the remaining contract value of backlog of the Group decreased by about RMB265.0 million or 2.1% as compared with last year to about RMB12,810.4 million (30 June 2021: about RMB12,545.4 million), which could support a sustainable development of the Group for the next 2-3 years.

BUSINESS PROSPECTS

For the second half of 2022, it is anticipated that many countries may take suitable measures to provide flexible and accommodative monetary policies and fiscal stimulus to support economic recovery in case of extreme economic downturn. In Mainland China, it is expected that the economy will be stable with growth as the pandemic has been under control and the central government will continue its effort to provide accommodative monetary policy and fiscal stimulus to support economic growth. Appropriate support measures by government are expected to be formulated to ease the downturn of the property market which is essential to the economy. It is anticipated that the property market will gradually recover and remain resilient in the long run.

The Group remains confident and cautious about the world economy and overall market opportunities. The Group will continue to focus on project construction, operations management, safety and environmental management, and technological innovation, strengthening the business strategy and competitive advantages and looking for opportunities in the market for sustainable development to further enhance the returns to our shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the revenue of the Group decreased by about RMB140.1 million or 9.7% as compared with last year to about RMB1,302.2 million (for the six months ended 30 June 2021: about RMB1,442.3 million) which was due to the impact of the COVID-19 pandemic in China. Among which:

1. for the six months ended 30 June 2022, the revenue from domestic market of the Group decreased by about RMB137.7 million or 23.0% as compared with last year to about RMB461.2 million (for the six months ended 30 June 2021: about RMB598.9 million), contributing approximately 35.4% of the total revenue of the Group; and
2. for the six months ended 30 June 2022, the revenue from overseas market of the Group decreased by about RMB2.4 million or 0.3% as compared with last year to about RMB841.0 million (for the six months ended 30 June 2021: about RMB843.5 million), contributing approximately 64.6% of the total revenue of the Group.

Cost of sales

For the six months ended 30 June 2022, the cost of sales of the Group increased by about RMB14.2 million or 1.2% as compared with last year to about RMB1,169.5 million (for the six months ended 30 June 2021: about RMB1,155.2 million).

Adjusted gross profit margin

For the six months ended 30 June 2022, the Group's adjusted gross profit margin decreased by approximately 10.2 percentage points to approximately 9.1% (for the six months ended 30 June 2021: approximately 19.3%) which was due to the impact of the COVID-19 pandemic. Among which:

1. for the six months ended 30 June 2022, the Group's domestic adjusted gross profit margin decreased by approximately 16.5 percentage points as compared with the corresponding period of last year to 5.7% (for the six months ended 30 June 2021: about 22.2%); and

- for the six months ended 30 June 2022, the Group's overseas adjusted gross profit margin decreased by approximately 6.3 percentage points as compared with the corresponding period of last year to 10.9% (for the six months ended 30 June 2021: about 17.2%).

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 and land use rights.

For the six months ended 30 June 2022, the other income of the Group decreased by about RMB15.2 million or 64.5% as compared with last year to about RMB8.3 million (for the six months ended 30 June 2021: about RMB23.5 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 and land use rights during the Reporting Period.

Selling expenses

For the six months ended 30 June 2022, the selling expenses of the Group decreased by about RMB13.5 million or 37.8% as compared with last year to about RMB22.1 million (for the six months ended 30 June 2021: about RMB35.6 million), accounted for approximately 1.7% of the operating revenue of the Group (for the six months ended 30 June 2021: 2.5%).

Administrative expenses

For the six months ended 30 June 2022, the administrative expenses of the Group decreased by about RMB47.9 million or 22.6% as compared with last year to about RMB163.9 million (for the six months ended 30 June 2021: about RMB211.8 million), accounted for approximately 12.6% of the operating revenue of the Group (for the six months ended 30 June 2021: 14.7%).

Finance income/(costs)

For the six months ended 30 June 2022, the Group recognised a net finance income of about RMB77.0 million (for the six months ended 30 June 2021: a net finance cost of about RMB35.0 million), accounted for 5.9% of the operating revenue of the Group (for the six months ended 30 June 2021: 2.4%). This was mainly due to the increase of net foreign exchange gain recognised.

Net current assets and financial resources

As at 30 June 2022, the net current assets of the Group decreased by about RMB385.7 million or 23.2% as compared with last year to about RMB428.0 million (31 December 2021: about RMB813.7 million).

As at 30 June 2022, the cash on hand and in bank of the Group decreased by about RMB719.4 million or 42.8% as compared with last year to about RMB959.6 million (31 December 2021: about RMB1,679.0 million), mainly denominated in RMB, USD and British Pound Sterling (“**GBP**”).

Bank loans and gearing ratio

As at 30 June 2022, the total bank loans of the Group increased by about RMB20.0 million or 2.1% as compared with last year to about RMB970.0 million (31 December 2021: about RMB950.0 million).

The Group’s gearing ratio (calculated by total liabilities divided by total assets) was 80.5% (31 December 2021: 82.5%).

Turnover days of receivables

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. For the six months ended 30 June 2022, the turnover days of receivables of the Group decreased by about 12 days or 3.1% as compared with last year to about 374 days (for the year ended 31 December 2021: about 386 days).

Inventories and contract costs

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

As at 30 June 2022, the inventory and contract costs of the Group decreased by about RMB84.9 million or 19.7% as compared with last year to about RMB347.2 million (31 December 2021: about RMB432.1 million).

Capital expenditure

For the six months ended 30 June 2022, the payment for capital expenditure of the Group increased by about RMB0.8 million or 44.7% as compared with last year to about RMB2.6 million (for the six months ended 30 June 2021: about RMB1.8 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 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 2022 are set out in Note 11.

Charge on assets

As at 30 June 2022, the Group's bank loans of approximately RMB690.0 million were secured by property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB362.2 million.

As at 30 June 2022, the Group's cash on hand and in bank to secure bank loans, bank bills, credit and guarantee letters and other borrowings is RMB631.3 million.

Save as disclosed above, the Group had no other charge on its assets as at 30 June 2022.

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 2022, an accumulated amount of approximately HK\$2,061 million of proceeds from the Global Offering (of which expansion of production capacity: HK\$618 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\$342 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 2022, the Group had 2,646 full-time employees in total (31 December 2021: 2,804). 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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Woo Kar Tung, Raymon (Chairman of Audit Committee), Mr. Poon Chiu Kwok and Mr. Pang Chung Fai, Benny.

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended 30 June 2022. The Audit Committee was satisfied that the unaudited consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

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 2022, 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 2022.

INTERIM DIVIDEND

The Board has resolved not to declare any annual dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE GROUP

For the six months ended 30 June 2022, 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 2022 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 2022

As at the date of this announcement, the executive directors of the Company are Mr. Kang Baohua, Mr. Zhao Zhongqiu, 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.