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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 2023**

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 2023 (the “**Reporting Period**”). The interim financial information of the Group for the Reporting Period has not been audited, but has been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

FINANCIAL HIGHLIGHTS	For the six months ended 30 June 2023 (Approximately)	For the six months ended 30 June 2022 (Approximately)
Revenue (<i>RMB million</i>)	1,034.2	1,302.2
Adjusted gross profit margin (<i>Note</i>)	5.6%	9.1%
Profit for the period attributable to equity shareholders of the Company (<i>RMB million</i>)	6.4	4.7
Net cash generated from/(used in) operating activities (<i>RMB million</i>)	185.1	(193.1)
Basic and diluted earnings per share (<i>RMB cents</i>)	0.10	0.08
Proposed interim dividend per share (<i>HKD cents</i>)	NIL	NIL

Note: Adjusted gross profit margin represents gross profit margin after impairment losses for financial assets and contract assets.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Revenue	3	1,034,150	1,302,201
Cost of sales		<u>(933,002)</u>	<u>(1,169,454)</u>
Gross profit		101,148	132,747
Other income		8,441	8,336
Selling expenses		(20,086)	(22,137)
Administrative expenses		(138,302)	(163,918)
Expected credit losses of financial and contract assets		<u>(42,991)</u>	<u>(14,544)</u>
Loss from operations		(91,790)	(59,516)
Net finance income	4(a)	<u>103,610</u>	<u>76,965</u>
Profit before taxation	4	11,820	17,449
Income tax	5	<u>(5,454)</u>	<u>(12,723)</u>
Profit for the period attributable to equity shareholders of the Company		<u>6,366</u>	<u>4,726</u>
Earnings per share (RMB cents)			
— Basic and diluted	6	<u>0.10</u>	<u>0.08</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	6,366	4,726
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements	<u>(127,169)</u>	<u>(2,668)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>(120,803)</u>	<u>2,058</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

(Expressed in RMB)

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		309,136	320,174
Right-of-use assets		208,082	212,914
Investment properties		31,306	31,906
Deferred tax assets		324,308	327,192
		<u>872,832</u>	<u>892,186</u>
Current assets			
Inventories and other contract costs		343,736	310,865
Contract assets	7(a)	1,337,990	1,616,958
Trade and bills receivables	8	1,381,652	1,634,433
Deposits, prepayments and other receivables		521,533	523,990
Restricted deposits		631,906	701,144
Cash and cash equivalents		154,825	219,455
		<u>4,371,642</u>	<u>5,006,845</u>
Current liabilities			
Trade and bills payables	9	1,546,738	1,839,774
Contract liabilities	7(b)	571,977	495,830
Accrued expenses and other payables		1,079,627	1,203,520
Bank loans		659,950	855,000
Income tax payable		246,891	254,427
Provision for warranties		47,443	50,458
		<u>4,152,626</u>	<u>4,699,009</u>
Net current assets		<u>219,016</u>	<u>307,836</u>
Total assets less current liabilities		<u>1,091,848</u>	<u>1,200,022</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2023 — unaudited**(Expressed in RMB)*

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
<i>Note</i>		
Non-current liabilities		
Lease liabilities	1,748	1,932
Provision for warranties	<u>199,440</u>	<u>186,627</u>
	<u>201,188</u>	<u>188,559</u>
NET ASSETS	<u>890,660</u>	<u>1,011,463</u>
CAPITAL AND RESERVES		
Share capital	519,723	519,723
Reserves	<u>370,937</u>	<u>491,740</u>
TOTAL EQUITY	<u>890,660</u>	<u>1,011,463</u>

NOTES

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial information has been extracted 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 (the “**Stock Exchange**”), 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

As of 30 June 2023, the Group had cash and cash equivalents of approximately RMB154,825,000, while the Group had current liabilities of approximately RMB4,152,626,000 including bank loans within one year or on demand of approximately RMB659,950,000. In view of the volatility and downturn of the current real estate market, there are uncertainties as to whether the Group is able to renew all the banking facilities upon maturity and/or generate sufficient cash flows from future operations to meet its liabilities in full when they fall due.

In this regard, the Directors 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.
- Mr. Kang Baohua (the “**Controlling Shareholder**”) and a company under his control have committed to provide the necessary financial support, including but not limited to: renewal of the borrowings from the Controlling Shareholder and a company under his control upon maturity.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the Directors 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 consider it is appropriate to prepare the interim financial report on a going concern basis.

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:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Over time	964,842	1,301,717
Point in time	69,308	484
	<u>1,034,150</u>	<u>1,302,201</u>
Disaggregated by geographical location of customers		
Mainland China	347,719	461,154
United Kingdom	177,039	382,121
Australia	193,748	251,155
United States of America	97,536	16,682
Others	218,108	191,089
	<u>686,431</u>	<u>841,047</u>
	<u>1,034,150</u>	<u>1,302,201</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 after impairment losses for financial assets 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 2023 and 2022. The Group's other operating expenses, such as selling and administrative expenses, impairment losses for other receivables and net 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 2023 and 2022 is set out below:

	Six months ended 30 June 2023		
	Domestic <i>RMB'000</i>	Overseas <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	347,719	686,431	1,034,150
Reportable segment adjusted gross profit	15,778	42,379	58,157
	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

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Reportable segment adjusted gross profit	58,157	118,203
Other income	8,441	8,336
Selling expenses	(20,086)	(22,137)
Administrative expenses	(138,302)	(163,918)
Net finance income	103,610	76,965
Profit before taxation	11,820	17,449

4 PROFIT BEFORE TAXATION

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

(a) Net finance income:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	37,642	43,398
Interest on lease liabilities	231	266
Bank charges and other finance costs	<u>6,405</u>	<u>6,934</u>
Total borrowing costs	44,278	50,598
Interest income	(27,344)	(17,719)
Net foreign exchange gain	(125,943)	(102,747)
Net loss/(gain) on forward foreign exchange contracts	<u>5,399</u>	<u>(7,097)</u>
	<u>(103,610)</u>	<u>(76,965)</u>

(b) Staff costs:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	180,593	216,297
Contributions to defined contribution retirement plans	<u>16,981</u>	<u>17,591</u>
	<u>197,574</u>	<u>233,888</u>

(c) **Other items:**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Depreciation and amortisation		
— owned property, plant and equipment	12,751	14,029
— right-of-use assets	13,754	13,843
— investment properties	600	600
Net loss/(gain) on disposal of property, plant and equipment	267	(33)
Research and development costs	12,159	23,386
Increase in provision for warranties	22,644	25,240
Cost of inventories (<i>Note 9</i>)	933,002	1,169,454
	<u>933,002</u>	<u>1,169,454</u>

5 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax:		
— provision for corporate income tax in respective jurisdictions	115	10,508
Deferred tax:		
— originating and reversal of temporary differences	5,339	2,215
	<u>5,454</u>	<u>12,723</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 2023 (six months ended 30 June 2022: 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 2023 (six months ended 30 June 2022: RMB Nil).

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 2023 (six months ended 30 June 2022: 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 2023 pursuant to the rules and regulations of their respective countries of incorporation (six months ended 30 June 2022: 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 2023 (six months ended 30 June 2022: 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 2022: 100%) 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 2023 is calculated based on the profit attributable to equity shareholders of the Company of approximately RMB6,366,000 (six months ended 30 June 2022: approximately RMB4,726,000) and the weighted average of 6,208,734,000 ordinary shares (six months ended 30 June 2022: 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 2023 and 2022. 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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Contract assets		
Arising from performance under construction contracts	2,191,690	2,445,823
Less: loss allowance	<u>(853,700)</u>	<u>(828,865)</u>
	<u>1,337,990</u>	<u>1,616,958</u>

(b) Contract liabilities

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Contract liabilities		
Construction contracts		
— Billings in advance of performance	<u>571,977</u>	<u>495,830</u>

8 TRADE AND BILLS RECEIVABLES

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade receivables for contract work due from:		
— third parties	3,054,737	3,249,339
— companies under the control of the Controlling Shareholder	<u>184,928</u>	<u>179,560</u>
	<u>3,239,665</u>	<u>3,428,899</u>
Bills receivable for contract work	<u>82,126</u>	<u>115,715</u>
Trade receivables for sale of raw materials due from:		
— third parties	5,215	4,446
— companies under the control of the Controlling Shareholder	<u>1,808</u>	<u>1,701</u>
	<u>7,023</u>	<u>6,147</u>
	3,328,814	3,550,761
<i>Less: loss allowance</i>	<u>(1,947,162)</u>	<u>(1,916,328)</u>
Financial assets measured at amortised cost	<u><u>1,381,652</u></u>	<u><u>1,634,433</u></u>

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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 year	188,118	241,984
More than 1 year	<u>1,193,534</u>	<u>1,392,449</u>
	<u><u>1,381,652</u></u>	<u><u>1,634,433</u></u>

9 TRADE AND BILLS PAYABLES

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade payables for purchase of inventories due to:		
— third parties	958,355	1,105,141
— companies under the control of the Controlling Shareholder	5,110	4,893
	<u>963,465</u>	<u>1,110,034</u>
Trade payables due to sub-contractors	543,812	659,271
Bills payable	39,461	70,469
	<u>1,546,738</u>	<u>1,839,774</u>
Financial liabilities measured at amortised cost	<u>1,546,738</u>	<u>1,839,774</u>

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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 month or on demand	1,533,795	1,787,216
More than 1 month but less than 3 months	10,509	38,353
More than 3 months	2,434	14,205
	<u>1,546,738</u>	<u>1,839,774</u>

10 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 (six months ended 30 June 2022: HK\$Nil).

11 CONTINGENT LIABILITIES

(a) Guarantees issued

At 30 June 2023, the Group has issued the following guarantees:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Guarantees for construction contracts' bidding, performance and retentions	<u>539,441</u>	<u>558,422</u>

As of the end of the reporting period, the Directors 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 RMB7.1 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 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 RMB122.9 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 2022, a wholly-owned subsidiary of the Group, Yuanda (UK) Co., Ltd (“**Yuanda UK**”) received a notice that Yuanda UK together with other various parties were being sued by Crest Nicholson in United Kingdom relating to defects of Admiralty Quarter development. Yuanda UK was the glazing sub-contractor for one building constructed by Ardmore Construction Limited, the main contractor. The Crest Nicholson estimated total cost for remedial works required to address all the defects amounting to GBP24.0 million (equivalent to approximately RMB219.4 million). Based on the confirmation with professional indemnity insurers of Yuanda UK, this claim falls for cover under the professional indemnity policy agreed between the insurer and Yuanda UK, but the coverage of the amount was not able to determine as the resulting loss allocated to Yuanda UK has not been determined. Thus, the directors of the Company cannot reliably estimate the remaining compensation borne by Yuanda UK. No provision in this regard has therefore been made.
- (iii) In addition to the lawsuit mentioned in Note 11(b)(i) and (ii), certain subsidiaries of the Group are named defendants on other lawsuits, arbitrations or tax disputes in respect of construction work carried out by them. As at the date of this announcement, these lawsuits, arbitrations and disputes are under reviewed before courts, arbitrators or tax bureaus. If these subsidiaries are found to be liable, the total maximum monetary compensation may amount to approximately RMB296.2 million, of which RMB21.4 million has already been provided for and the Group’s bank and other deposits of RMB106.8 million at 30 June 2023 was frozen by courts or secured to insurance companies for certain of these lawsuits or disputes. Based on legal advices and assessment from the directors of the Company on these lawsuits and arbitrations, 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 material lawsuits, arbitrations or tax disputes.

(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.

BUSINESS REVIEW

Overall performance

Looking back at the first half of 2023, the global economy rebounded amidst fluctuations, with the scarring effect of the epidemic diminishing at the margins, and the major developed economies demonstrated strong developmental resilience. China's domestic economy as a whole was positive, according to the data released by the National Bureau of Statistics of China, China's GDP in the first half of 2023 was approximately RMB59,303.4 billion, a year-on-year increase of approximately 5.5%, and the economy has gradually recovered to a normal track.

The real estate industry is still facing challenges in most developed markets due to the impact of global financial policies, and the growth of the domestic market is also narrowing. The competitive landscape of the industry has been changing as real estate enterprises have been actively adjusting their business models and placing greater emphasis on product quality and sustainable development. The Group has also continued to seek opportunities to build closer relationships with its customers.

For the six months ended 30 June 2023, the profit attributable to equity shareholders of the Company of the Group increased by about RMB1.7 million or 36.2% as compared with the corresponding period in 2022 to about RMB6.4 million (for the six months ended 30 June 2022: about RMB4.7 million).

Newly-awarded projects (including VAT)

For the six months ended 30 June 2023, the aggregate amount of newly-awarded projects of the Group increased by about RMB422.7 million or 33.6% as compared with the corresponding period in 2022 to about RMB1,682.2 million (for the six months ended 30 June 2022: about RMB1,259.5 million). This was mainly due to the Group's business growth in regional markets such as the Middle East and Central Asia.

Backlog

As at 30 June 2023, the remaining contract value of backlog of the Group decreased by about RMB2,184.6 million or 17.1% as compared with 30 June 2022 to about RMB10,625.8 million (30 June 2022: about RMB12,810.4 million), which could support a sustainable development of the Group for the next 2-3 years.

BUSINESS PROSPECTS

With the gradual dissipation of the impact of the epidemic, the global economy has substantially shown a recovery trend. However, along with geopolitical tensions, the Federal Reserve's interest rate hike, high inflation, the weakening international trade and investment and many other uncertainties, the global economic environment remains complex and severe. The Chinese government has taken a number of initiatives, releasing positive signals to stabilise growth in order to boost confidence in the market's recovery. Nevertheless, in the absence of significant improvement in the market and real estate enterprises being still under greater pressure of capital, it is expected that there exist twists and turns for the recovery of the real estate market in the second half of 2023.

In the face of the industry restructuring phase, which is characterised by both challenges and opportunities, the Group will maintain an optimistic and prudent attitude, pay close attention to the changes in the industry situation and make timely adjustments to its market strategies as necessary. At the same time, the Group will continue to devote itself to improving the quality of its projects, pursuing technological leadership, strengthening cost control management and optimising internal organisational construction, so as to ensure the long-term and benign development of the Group's business.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the revenue of the Group decreased by about RMB268.0 million or 20.6% as compared with the corresponding period in 2022 to about RMB1,034.2 million (for the six months ended 30 June 2022: about RMB1,302.2 million) which was due to the slowdown in the progress of some of the Group's projects as a result of the impact of macroeconomic situation. Among which:

1. for the six months ended 30 June 2023, the revenue from domestic market of the Group decreased by about RMB113.5 million or 24.6% as compared with the corresponding period in 2022 to about RMB347.7 million (for the six months ended 30 June 2022: about RMB461.2 million), contributing approximately 33.6% of the total revenue of the Group; and
2. for the six months ended 30 June 2023, the revenue from overseas market of the Group decreased by about RMB154.6 million or 18.4% as compared with the corresponding period in 2022 to about RMB686.4 million (for the six months ended 30 June 2022: about RMB841.0 million), contributing approximately 66.4% of the total revenue of the Group.

Cost of sales

For the six months ended 30 June 2023, the cost of sales of the Group decreased by about RMB236.5 million or 20.2% as compared with the corresponding period in 2022 to about RMB933.0 million (for the six months ended 30 June 2022: about RMB1,169.5 million). With the decrease of revenue, relevant cost of sales decreased.

Adjusted gross profit margin

For the six months ended 30 June 2023, the Group's adjusted gross profit margin decreased by approximately 3.5 percentage points as compared with the corresponding period of 2022 to approximately 5.6% (for the six months ended 30 June 2022: approximately 9.1%) which was mainly due to the slowdown in returns on Group's long aging projects. Among which:

1. for the six months ended 30 June 2023, the Group's domestic adjusted gross profit margin decreased by approximately 1.2 percentage points as compared with the corresponding period of 2022 to 4.5% (for the six months ended 30 June 2022: about 5.7%); and
2. for the six months ended 30 June 2023, the Group's overseas adjusted gross profit margin decreased by approximately 4.7 percentage points as compared with the corresponding period of 2022 to 6.2% (for the six months ended 30 June 2022: about 10.9%).

Other income

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

For the six months ended 30 June 2023, the other income of the Group increased by about RMB0.1 million or 1.2% as compared with the corresponding period of 2022 to about RMB8.4 million (for the six months ended 30 June 2022: about RMB8.3 million).

Selling expenses

For the six months ended 30 June 2023, the selling expenses of the Group decreased by about RMB2.0 million or 9.0% as compared with the corresponding period of 2022 to about RMB20.1 million (for the six months ended 30 June 2022: about RMB22.1 million), accounted for approximately 1.9% of the operating revenue of the Group (for the six months ended 30 June 2022: 1.7%).

Administrative expenses

For the six months ended 30 June 2023, the administrative expenses of the Group decreased by about RMB25.6 million or 15.6% as compared with the corresponding period of 2022 to about RMB138.3 million (for the six months ended 30 June 2022: about RMB163.9 million) which was mainly due to the implementation of the policy of reducing headcounts for improving efficiency. The administrative expenses accounted for approximately 13.4% of the operating revenue of the Group (for the six months ended 30 June 2022: 12.6%).

Net finance income

For the six months ended 30 June 2023, the Group recognised a net finance income of about RMB103.6 million (for the six months ended 30 June 2022: a net finance income of about RMB77.0 million), and accounted for 10.0% of the operating revenue of the Group (for the six months ended 30 June 2022: 5.9%). This was mainly due to the increase of net foreign exchange gain recognised.

Net current assets and financial resources

As at 30 June 2023, the net current assets of the Group decreased by about RMB88.8 million or 28.9% as compared with 31 December 2022 to about RMB219.0 million (31 December 2022: about RMB307.8 million).

As at 30 June 2023, the cash on hand and in bank of the Group decreased by about RMB133.9 million or 14.5% as compared with 31 December 2022 to about RMB786.7 million (31 December 2022: about RMB920.6 million), mainly denominated in RMB, United States Dollar (“USD”), Qatari Riyal (QAR), Euro (EUR), British Pound Sterling (“GBP”) and Australian Dollar (AUD).

Bank loans and gearing ratio

As at 30 June 2023, the total bank loans of the Group decreased by about RMB195.0 million or 22.8% as compared with 31 December 2022 to about RMB660.0 million (31 December 2022: about RMB855.0 million).

The Group’s gearing ratio (calculated by total liabilities divided by total assets) was 83.0% (31 December 2022: 82.9%).

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 days. For the six months ended 30 June 2023, the turnover days of receivables of the Group increased by about 55 days or 14.7% as compared with the corresponding period of the last year to about 429 days (for the six months ended 30 June 2022: about 374 days).

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. 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 2023, the inventory and contract costs of the Group increased by about RMB32.8 million or 10.6% as compared with 31 December 2022 to about RMB343.7 million (31 December 2022: about RMB310.9 million).

Capital expenditure

For the six months ended 30 June 2023, the payment for capital expenditure of the Group decreased by about RMB1.4 million or 53.8% as compared with the corresponding period of 2022 to about RMB1.2 million (for the six months ended 30 June 2022: about RMB2.6 million), which was mainly related to the payment on construction of plant and purchase of equipment decreased.

Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, GBP and Singapore Dollar (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 2023 are set out in Note 11.

Charge on assets

As at 30 June 2023, the Group's bank loans of approximately RMB190.0 million were secured by property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB287.7 million.

As at 30 June 2023, the Group's cash on hand and in bank to secure bank loans, bank bills, credit and guarantee letters and other borrowings is approximately RMB427.2 million.

As at 30 June 2023, the carrying value of approximately RMB57.1 million bank deposits was frozen. The carrying value of the deposits pledged to secure the performance and retentions of construction contracts of the Group is approximately RMB144.6 million.

Save as disclosed above, the Group had no other charge on its assets as at 30 June 2023.

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 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 2023, an accumulated amount of approximately HK\$2,063 million of proceeds from the Global Offering (of which expansion of production capacity: HK\$620 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\$340 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 2023, the Group had 2,365 full-time employees in total (31 December 2022: 2,511). 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises four independent non-executive Directors, namely Mr. Woo Kar Tung, Raymond (Chairman of Audit Committee), Mr. Poon Chiu Kwok, Mr. Wang Yuhang and Ms. Yang Qianwen.

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2023. 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 2023, the Company has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

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 Group 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 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE GROUP

For the six months ended 30 June 2023, 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.

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 2023 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 2023

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, Mr. Wang Yuhang and Ms. Yang Qianwen.