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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Yuanda China Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

	2018 (Approximately)	2017 (Approximately)	Percentage Change (Approximately)
Revenue *(RMB million)*	**4,615.7**	5,688.7	(18.9%)
Adjusted gross profit margin *(Note)*	**15.4%**	13.8%	1.6%
Consolidated net profit *(RMB million)*	**88.2**	85.7	2.9%
Profit attributable to equity shareholders of the Company *(RMB million)*	**79.1**	60.7	30.3%
Net cash generated from operating activities *(RMB million)*	**98.2**	85.6	14.7%
Basic and diluted earnings per share *(RMB cents)*	**1.27**	0.98	29.6%
Proposed final dividend per share *(HKD cents)*	**NIL**	NIL	

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018
(Expressed in Renminbi ("RMB"))

	Note	**2018**	2017
		RMB'000	*RMB'000*
			(Note)
Revenue	*5*	**4,615,704**	5,688,650
Cost of sales		**(3,714,701)**	(4,439,731)
Gross profit		**901,003**	1,248,919
Other income	*6*	**172,741**	108,949
Selling expenses		**(91,112)**	(95,217)
Administrative expenses		**(565,949)**	(971,578)
Expected credit losses of financial and contract assets	*4(a)*	**(193,754)**	–
Profit from operations		**222,929**	291,073
Finance costs	*7(a)*	**(68,767)**	(232,801)
Profit before taxation	*7*	**154,162**	58,272
Income tax	*8*	**(65,991)**	27,457
Profit for the year		**88,171**	85,729
Attributable to:			
Equity shareholders of the Company		**79,119**	60,652
Non-controlling interests		**9,052**	25,077
Profit for the year		**88,171**	85,729
Earnings per share (RMB cents)			
– Basic and diluted	*9*	**1.27**	0.98

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**88,171**	85,729
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(17,017)**	94,903
– Cash flow hedge: net movement in the hedging reserve	**(1,221)**	9,981
Other comprehensive income for the year	**(18,238)**	104,884
Total comprehensive income for the year	**69,933**	190,613
Attributable to:		
Equity shareholders of the Company	**58,345**	183,615
Non-controlling interests	**11,588**	6,998
Total comprehensive income for the year	**69,933**	190,613

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**427,829**	617,302
Lease prepayments		**368,358**	600,490
Deferred tax assets		**558,844**	454,312
		1,355,031	1,672,104
Current assets			
Inventories and other contract costs		**407,125**	277,198
Contract assets	*10*	**2,831,703**	–
Gross amount due from customers for contract work	*10*	–	4,027,183
Trade and bills receivables	*11*	**2,838,648**	3,035,194
Deposits, prepayments and other receivables		**789,864**	663,842
Cash on hand and in bank		**1,702,751**	1,805,591
Assets classified as held for sale	*12*	**136,241**	–
		8,706,332	9,809,008
Current liabilities			
Trade and bills payables	*13*	**2,998,632**	3,314,858
Contract liabilities	*10*	**881,998**	–
Gross amount due to customers for contract work	*10*	–	891,455
Receipts in advance		–	16,282
Accrued expenses and other payables		**592,280**	591,806
Bank loans		**2,287,877**	2,222,000
Income tax payable		**224,084**	211,528
Provision for warranties		**63,365**	52,277
		7,048,236	7,300,206
Net current assets		**1,658,096**	2,508,802
Total assets less current liabilities		**3,013,127**	4,180,906

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2018
(Expressed in RMB)

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Non-current liabilities		
Bank loans	**61,769**	721,551
Deferred tax liabilities	**2,858**	3,971
Provision for warranties	**240,373**	257,118
	305,000	982,640
NET ASSETS	**2,708,127**	3,198,266
CAPITAL AND RESERVES		
Share capital	**519,723**	519,723
Reserves	**2,188,404**	2,817,332
Total equity attributable to equity shareholders of the Company	**2,708,127**	3,337,055
Non-controlling interests	–	(138,789)
TOTAL EQUITY	**2,708,127**	3,198,266

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

NOTES

(Expressed in Renminbi ("RMB") unless otherwise indicated)

1 CORPORATE INFORMATION

Yuanda China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 February 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 May 2011. The consolidated financial statements of the Company comprise the Company and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are the design, procurement, production, sale and installation of curtain wall systems.

2 STATEMENT OF COMPLIANCE

These financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair values.

The Company has its functional currency in Hong Kong dollar ("HK$"). As majority of the Group's operation are conducted by the subsidiaries of the Group in mainland China, the consolidated financial statements are presented in RMB.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 CHANGES IN ACCOUNTING POLICIES

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

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

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

The Group has been impacted by IFRS 9 in relation to measurement of credit losses, and impacted by IFRS 15 in relation to satisfaction of performance obligations, contract modifications, and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in Note 4(a) for IFRS 9 and Note 4(b) for IFRS 15.

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

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

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

(a) IFRS 9, *Financial instruments*

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

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

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

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

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

(i) Credit losses

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

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

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

– contract assets as defined in IFRS 15.

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

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and bills receivables, deposits and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

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

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

Opening balance adjustment

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

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

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

Presentation in the consolidated statement of profit or loss

IAS 1, *Presentation of financial statements* (as amended by IFRS 9) requires the expected credit losses as determined under IFRS 9 to be presented as a separated item on the face of the statement of profit or loss. Impairment losses under IAS 39 for the year ended 31 December 2017 was included in "Administrative expenses".

(ii) Hedge accounting

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

(iii) Transition

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

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

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

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

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

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

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

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

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

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

(i) Satisfaction of performance obligations

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

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

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

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

The Group identified that the control of the work in progress in the construction activities, such as uninstalled materials, was not considered as transferred until they are delivered to the construction site of the customer under IFRS 15, thus the time to recognise revenue and profit related to the work in progress should be delayed than that under IAS 11.

(ii) Contracts modifications

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

(iii) Presentation of contract assets and liabilities

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

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

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, procurement, production, sale and installation of curtain wall systems. Further details regarding the Group's principal activities are discussed in Note 5(b).

(i) 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 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Over time	**4,421,881**	5,562,715
Point in time	**193,823**	125,935
	4,615,704	5,688,650

Disaggregation of revenue by geographic market is disclosed in Note 5(b)(iii).

Revenue represents contract revenue derived from the design, procurement, production, sale and installation of curtain wall systems.

The Group's customer base is diversified. There was no customer with transactions that exceeded 10% of the Group's revenue for the years ended 31 December 2018 and 2017.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB9,867.2 million. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 48 months.

As at 31 December 2018, the aggregated amount of the expected transaction price of the potential contracts (including tax) of which the Group has won the bidding is RMB4,090.7 million.

The above amounts do not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

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

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

(i) 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:

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. No significant inter-segment sales have occurred for the years ended 31 December 2018 and 2017. The Group's other operating expenses, such as selling and administrative expenses (excluding impairment losses for trade receivables and contract costs) and finance costs, are not measured under individual segments.

During the year ended 31 December 2018, 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 years ended 31 December 2018 and 2017 is set out below.

	2018		
	Domestic *RMB'000*	**Overseas** *RMB'000*	**Total** *RMB'000*
Revenue from external customers and reportable segment revenue	**2,247,575**	**2,368,129**	**4,615,704**
Reportable segment adjusted gross profit	**360,904**	**350,084**	**710,988**

	2017 *(Note)*		
	Domestic	Overseas	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	3,273,400	2,415,250	5,688,650
Reportable segment adjusted gross profit	434,567	351,514	786,081

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated as a result of the initial application of IFRS I5 and IFRS 9. See Note 4.

(ii) Reconciliation of reportable segment profit or loss

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Reportable segment gross profit	**710,988**	786,081
Other income	**172,741**	108,949
Selling expenses	**(91,112)**	(95,217)
Administrative expenses (exclusive of losses for trade receivables and contract assets)	**(565,949)**	(508,740)
Expected credit losses of financial and contract assets	**(3,739)**	–
Finance costs	**(68,767)**	(232,801)
Profit before taxation	**154,162**	58,272

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

(iii) Geographic information

The following tables set out information about the geographical location of the Group's (i) revenue from external customers and (ii) property, plant and equipment and lease prepayments (the "specified non-current assets"). The geographical location of customers is based on the location at which the construction contracts are carried out. The geographical location of the specified non-current assets is determined based on the physical location of the assets. For overseas construction contracts, the Group further divided the customers based on regions, where each country within the region shares similar characteristics as to the depth of the Group's penetration in the market and industry practices.

a. The Group's revenue from external customers:

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by geographical location of customers		
Mainland China	**2,247,575**	3,273,400
United Kingdom	**674,327**	517,771
Australia	**597,794**	401,261
United States of America	**582,202**	366,559
Others	**513,806**	1,129,659
	2,368,129	2,415,250
	4,615,704	5,688,650

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

b. The Group's specified non-current assets:

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Mainland China	**783,240**	1,203,171
Overseas	**12,947**	14,621
	796,187	**1,217,792**

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

6 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants	**24,776**	6,828
Rental income from operating leases	**521**	1,394
Net income from provision of repairs and maintenance services	**827**	2,060
Net (loss)/gain from sale of scrap materials	**(1,276)**	284
Net gain on disposal of property, plant and equipment, land use rights and assets classified as held for sale *(Note)*	**147,893**	98,383
	172,741	108,949

Note: The amounts included a net gain of RMB100.5 million arising from disposal of land use rights and properties and assets classified as held for sale. Further details of the transaction are set out in Note 12.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
Interest on borrowings	**145,853**	152,680
Bank charges and other finance costs	**27,174**	17,124
Total borrowing costs	**173,027**	169,804
Interest income	**(4,797)**	(4,749)
Net foreign exchange (gain)/loss	**(78,923)**	114,057
Net gain on forward foreign exchange contracts:		
– net gain on cash flow hedging instruments reclassified from equity	**(4,476)**	(6,131)
– net gain on other forward foreign exchange contracts	**(16,064)**	(40,180)
	68,767	232,801

No borrowing costs have been capitalised for the year ended 31 December 2018 (2017: RMBNil).

(b) Other items:

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Depreciation and amortisation#	**52,471**	59,404
Impairment losses on trade and other receivables and contract assets	**193,754**	462,838
Operating lease charges in respect of land, plant and buildings, motor vehicles and other equipment#	**21,629**	29,489
Auditors' remuneration	**13,102**	11,081
Research and development costs#	**175,616**	211,442
Increase in provision for warranties#	**83,093**	91,196
Cost of inventories#	**3,714,701**	4,439,731

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

\# Cost of inventories includes RMB468.9 million for the year ended 31 December 2018 (2017: RMB531.3 million), relating to staff costs, depreciation and amortisation expenses, operating lease charges, research and development costs and provision for warranties, which amount is also included in the respective total amounts disclosed separately for each of these types of expenses.

8 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Current taxation:		
– Provision for corporate income tax in respective jurisdictions	**17,922**	46,204
– Over provision in respect of prior years	**–**	(13,840)
	17,922	32,364
Deferred taxation:		
– Origination and reversal of temporary differences	**48,069**	(59,821)
	65,991	(27,457)

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Profit before taxation	**154,162**	58,272
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii), (iii) and (iv))*	**45,166**	16,889
Tax effect of non-deductible expenses	**2,850**	17,555
Tax effect of non-taxable income	**(7,698)**	–
Tax effect of utilisation of prior years' unused tax losses previously not recognised	**(126)**	(21,754)
Tax effect of unused tax losses not recognised	**44,231**	6,255
Over provision in respect of prior years	**–**	(13,840)
Tax concessions *(Note (v))*	**(18,432)**	(32,562)
Income tax	**65,991**	(27,457)

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

(i) 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 year ended 31 December 2018 (2017: 16.5%). No provision for Hong Kong Profits Tax has been made as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2018 (2017: RMBNil).

(ii) 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.

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2018 (2017: 25%).

(iv) The subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong), the Cayman Islands and the British Virgin Islands, are subject to income tax rates ranging from 8.5% to 35% for the year ended 31 December 2018 pursuant to the rules and regulations of their respective countries of incorporation (2017: 8.5% to 35%).

(v) One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the period from 2017 to August 2020 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2018 (2017: 15%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 75% (2017: 50%) of the qualified research and development costs incurred in the PRC by this subsidiary.

9 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB79.1 million (2017: RMB60.7 million) and the weighted average of 6,208,147,000 ordinary shares (2017: 6,208,147,000 ordinary shares) in issue during the year ended 31 December 2018.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

10 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000* *(Note (i))*	*RMB'000* *(Note (i))*
Contract assets			
Arising from performance under construction contracts *(Notes (iii) and (iv))*	**3,182,830**	3,820,262	–
Less: loss allowance *(Note (ii))*	**(351,127)**	(241,900)	–
	2,831,703	3,578,362	–

Notes:

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

(ii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional expected credit losses on contract assets. This has resulted in a decrease in this balance as at that date (see Note 4(a)).

(iii) Upon the adoption of IFRS 15, amounts previously presented as "Gross amount due from customers for contract work" were reclassified to "Contract assets" (see Note 4(b)). All of the amounts are expected to be billed within one year from the end of the reporting period, except for the amounts of RMB619.3 million at 31 December 2018 (31 December 2017: RMB821.8 million) related to retentions receivable (net of loss allowance) which are expected to be recovered over one year.

(iv) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that control were not yet considered as transferred and unapproved contract modifications. This has resulted in a decrease in contract assets as at that date (see Note 4(b)).

(v) Included in the contract assets are amounts of RMB0.7 million at 31 December 2018 (31 December 2017: RMB1.0 million) due from the companies under the control of the Controlling Shareholder.

(b) Contract liabilities

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
		(Note (i))	*(Note (i))*
Contract liabilities			
Construction contracts			
– Billings in advance of performance *(Notes (ii) and (iii))*	**881,998**	971,536	–

Notes:

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

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that control were not yet transferred and unapproved contract modifications (see Note 4(b)).

(iii) Upon the adoption of IFRS 15, amounts previously presented as "Gross amount due to customers for contract work" and "Receipts in advance" were reclassified to "Contract liabilities" (see Note 4(b)).

(iv) Included in contract liabilities are amounts of RMB10.5 million at 31 December 2018 (31 December 2017: RMB16.5 million) due to the companies under the control of the Controlling Shareholder.

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

11 TRADE AND BILLS RECEIVABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
		(Note (i))	*(Note (i))*
Trade receivables for contract work due from *(Note (ii))*:			
– Third parties	**4,308,837**	4,265,862	4,272,751
– Companies under the control of the Controlling Shareholder	**183,187**	185,586	185,586
	4,492,024	4,451,448	4,458,337
Bills receivable for contract work	**33,815**	47,659	47,659
Trade receivables for sale of raw materials due from:			
– Third parties	**4,245**	2,302	2,302
– Companies under the control of the Controlling Shareholder	**2,509**	1,870	1,870
	6,754	4,172	4,172
	4,532,593	4,503,279	4,510,168
Less: loss allowance *(Note (iii))*	**(1,693,945)**	(1,837,426)	(1,474,974)
Financial assets measured at amortised cost	**2,838,648**	2,665,853	3,035,194

Notes:

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

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to derecognise revenue from construction activities that control were not yet transferred. This has resulted in a decrease in trade receivables as at that date (see Note 4(b)).

(iii) Upon the adoption of IFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional ECLs on trade receivables (see Note 4(a)).

Except for retentions receivable (net of loss allowance) of RMB223.2 million at 31 December 2018 (31 December 2017: RMB454.7 million), all of the remaining trade and bills receivables are expected to be recovered within one year.

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:

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	**1,150,098**	863,620	933,087
More than 6 months but less than 1 year	**190,413**	175,562	202,024
More than 1 year	**1,498,137**	1,626,671	1,900,083
	2,838,648	2,665,853	3,035,194

12 ASSETS CLASSIFIED AS HELD FOR SALE

	2018
	RMB'000
At 1 January 2018	–
Reclassified from property, plant and equipment	145,968
Reclassified from lease prepayments	220,235
Disposals	(229,962)
At 31 December 2018	136,241

During 2018, Shenyang Yuanda Aluminum Industry Engineering Co., Ltd ("Shenyang Yuanda"), a wholly-owned subsidiary of the Group, has entered into a land resumption agreement (the "Agreement") with a third party in respect of the disposal of certain land use rights and properties of Shenyang Yuanda at a consideration of RMB550.0 million. The carrying amounts of these lease prepayments and properties are RMB220.2 million and RMB144.6 million (gross amount of RMB245.7 million and net of associated government grant of RMB101.1 million), respectively.

As at 31 December 2018, the disposal of lease prepayments and properties with a carrying amount of RMB141.2 million and RMB87.4 million has been completed according to the schedule set in the Agreement, and the Group has received RMB100.0 million out of the total consideration of RMB330.0 million in relation to these assets. The remaining lease prepayments and properties to be disposed of with a carrying amount of RMB79.0 million and RMB57.2 million (gross amount of RMB186.4 million and net of associated government grant of RMB50.2 million) are reclassified to "Assets classified as held for sale" as at 31 December 2018.

At 31 December 2018, the disposals of the above assets classified as held for sale are still in progress, and the directors of the Company expect the disposals to be completed within one year.

13 TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables for purchase of inventories due to:		
– Third parties	**1,250,594**	1,746,425
– Companies under the control of the Controlling Shareholder	**2,986**	4,268
	1,253,580	1,750,693
Trade payables due to sub-contractors	**662,687**	831,117
Bills payable	**1,082,365**	733,048
Financial liabilities measured at amortised cost	**2,998,632**	3,314,858

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

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the maturity date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month or on demand	**2,272,377**	2,724,867
More than 1 month but less than 3 months	**270,049**	193,096
More than 3 months	**456,206**	396,895
	2,998,632	3,314,858

14 DIVIDENDS

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

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: HK$Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No final dividend in respect of the previous financial year has been approved during the year ended 31 December 2018 (2017: HK$Nil).

15 CONTINGENT LIABILITIES

(a) Guarantees issued

At 31 December 2018, the Group has issued the following guarantees:

	2018	2017
	RMB'000	*RMB'000*
Guarantees for construction contracts' bidding, performance and retentions	**2,054,923**	1,780,253

As of the end of the reporting period, the directors of the Company do not consider it probable that a claim in excess of the provision for warranties provided by the Group will be made against the Group under any of the guarantees. The maximum liability of the Group as of the end of the reporting period under the guarantees issued is the amount disclosed above.

(b) Contingent liabilities in respect of legal claims

(i) In December 2009, Shenyang Yuanda and Yuanda Aluminum 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 Indian Rupee ("INR") 81.8 million (equivalent to approximately RMB8.0 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 RMB138.1 million) plus accrued interest. Shenyang Yuanda and Yuanda India deny any liability in respect of the appeal filed by the former sub-contractor and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda and/or Yuanda India. No provision has therefore been made in respect of this claim.

(ii) In November 2014, Yuanda Canada Enterprises Ltd. ("Yuanda Canada"), a wholly-owned subsidiary of the Group, received a notice that it is being counterclaimed by a contractor in Canada alleging damages due to additional costs incurred for project delays caused by Yuanda Canada and costs incurred in completing and rectifying Yuanda Canada's work. This counterclaim is derived from a claim registered by Yuanda Canada against the contractor in respect of its non-payment of Canadian Dollar ("CAD") 2.9 million (equivalent to approximately RMB14.7 million) for the value of work performed by Yuanda Canada. If Yuanda Canada is found to be liable, the total expected monetary compensation may amount to approximately CAD6.8 million (equivalent to approximately RMB34.2 million) plus accrued interest. Yuanda Canada continues to deny any liability in respect of the counterclaim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Yuanda Canada. No provision had therefore been made in respect of this claim.

(iii) On 20 April 2016, LLC Yuanda Curtain Wall ("Yuanda Russia"), a wholly-owned subsidiary of the Group, initiated an arbitration proceeding against Rasen Stroy LLC ("Rasen Stroy"), a contractor of Yuanda Russia, in the arbitration tribunal in Moscow to demand payment of the outstanding construction payable of USD6.5 million (equivalent to approximately RMB44.6 million) and applied for a protection order in relation to letters of guarantee of USD7.6 million (equivalent to approximately RMB52.2 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 RMB19.2 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 RMB128.3 million). Based on the above judgement, Yapi Bank made unilateral payment to Rasen Stroy of USD7.6 million (equivalent to approximately RMB52.2 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 RMB23.3 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 RMB52.2 million) to Rasen Stroy. On 11 April 2018, Shenyang Court ruled in favor of Shenyang Yuanda. Yapi Bank later on filed an appeal. As at the date of this announcement, the lawsuit is under review before Shenyang Court. If Shenyang Yuanda is found to be liable, the total compensation is estimated to be the deposits of USD7.6 million (equivalent to approximately RMB52.2 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 Story or Yapi Bank.

(iv) In addition to the lawsuits mentioned in Notes 15(b)(i) to 15(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 expected monetary compensation may amount to approximately RMB232.9 million, of which RMB13.8 million has already been provided for. 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.

16 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 4.

Certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has been changed for the year ended 31 December 2018. Accordingly, certain comparative figures have been adjusted to conform to current year's presentation. Further details are set out in Note 5(b).

BUSINESS REVIEW

Overall performance

In 2018, the global economic environment was complicated and uncertain under the slackened rate of economic growth. On one hand, the United States outperformed the global economy, while other economies were in a weak situation. On the other hand, the macro-economy of China showed an uptrend followed by a decline. The gap between different economies was broadening due to the uneven rate of recovery among different economies.

In 2018, China's investment in fixed assets (excluding rural households) grew by 5.9% year-on-year, representing a decrease of 1.3% over last year, which means the growth of new construction projects keeps low.

For the year ended 31 December 2018, the profit attributable to equity shareholders of the Company of the Group increased by about RMB18.4 million or 30.3% as compared with last year to about RMB79.1 million (2017: about RMB60.7 million), which was mainly due to (1) the Group recorded a net foreign exchange gain amounting to RMB99.5 million while incurred a net foreign exchange loss of RMB66.7 million, which resulted in a decrease in finance costs. (2) The Group has initially applied IFRS 9 on 1 January 2018 and replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model to measure loss allowances on trade and other receivables and contract assets, impairment loss for the year ended 31 December 2018 decreased by RMB269.1 million compared with that of last year.

Newly-awarded projects (including VAT)

During the year 2018, while the number of awarded projects decreased from 52 to 42, the aggregate amount generated by the newly awarded projects of the Group increased by about RMB428.2 million or 10.3% as compared with last year.

	2018		2017	
	Number of projects	***RMB million***	Number of projects	*RMB million*
Domestic	**25**	**1,659.9**	37	1,570.7
Overseas	**17**	**2,924.4**	15	2,585.4
Total	**42**	**4,584,3**	52	4,156.1

Details of certain landmark projects obtained by the Group during the year ended 31 December 2018 are as follows:

Project name	Category of project utilization
Nine Elms Square, UK	Commercial complex
Vauxhall Square, UK	Commercial complex
The Hundred, Indonesia	Office building
No.308 Exhibition Road in Melbourne, Australia	Public facilities
Tianfu Airport 3rd section, Chengdu, China	Airport
Yintai Hotel in Wenling, Zhejiang, China	Hotel
Langfang Theatre, Hebei, China	Public facilities
West Lake in Hui zhou, Guangzhou, China	Hotel

Backlog

As at 31 December 2018, the remaining contract value of the Group decreased by about RMB2,162.7 million or 13.4% as compared with last year, which could support a sustainable development of the Group for the next 2-3 years.

	2018		2017	
	Number of projects	***RMB million***	Number of projects	*RMB million*
Domestic	**292**	**5,428.9**	291	7,279.4
Overseas	**87**	**8,529.0**	89	8,841.2
Total	**379**	**13,957.9**	380	16,120.6

Major technology achievements and awards

In 2018, the Group obtained 37 patents, including 1 patent for invention and 36 patents for utility model.

BUSINESS PROSPECTS

On 21 January 2019, the International Monetary Fund (IMF) released the updated World Economic Outlook Report, which lowered the global annual economic growth rate to 3.5% and 3.6% for the year 2019 and 2020, respectively. It is expected that the rate hikes by the Federal Reserve of the United States will slow down and external pressure on emerging economies will decrease, but at the same time, as the US economy slows, emerging markets will face shrinking external demands and declining exports, particularly the downside-pressure on Chinese economy. The Group will closely monitor trends and developments in the macro-economy and sector markets, focus on enhancing its sensitivity and perception of market developments so that it could proactively formulate forward-looking business strategies in response to changes in the external business conditions.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the revenue of the Group decreased by about RMB1,073.0 million or 18.9% as compared with last year to about RMB4,615.7 million (2017: about RMB5,688.7 million). The main reason for the change was the shrink of business scale. Among which:

1. the revenue from domestic market of the Group decreased by about RMB1,025.8 million or 31.3% as compared with last year to about RMB2,247.6 million (2017: about RMB3,273.4 million), contributing approximately 48.7% of the total revenue of the Group; and

2. the revenue from overseas market of the Group decreased by about RMB47.2 million or 2.0% as compared with last year to about RMB2,368.1 million (2017: about RMB2,415.3 million), contributing approximately 51.3% of the total revenue of the Group.

Cost of sales

In 2018, the cost of sales of the Group decreased by about RMB725.0 million or 16.3% as compared with last year to about RMB3,714.7 million (2017: about RMB4,439.7 million). With the decrease in revenue, the related costs of sales were accordingly decreased.

Adjusted gross profit and adjusted gross profit margin

In 2018, the adjusted gross profit of the Group decreased by about RMB75.1 million or 9.6% as compared with last year to about RMB711.0 million (2017: about RMB786.1 million).

The Group's adjusted gross profit margin increased by approximately 1.6% to approximately 15.4% (2017: approximately 13.8%). Among which:

1. the Group's domestic adjusted gross profit margin increased by approximately 2.8% as compared with the corresponding period of last year to 16.1% (2017: about 13.3%); and

2. the Group's overseas adjusted gross profit margin increased by approximately 0.2% as compared with the corresponding period of last year to 14.8% (2017: about 14.6%).

Other income

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

In 2018, the other income of the Group increased by about RMB63.8 million or 58.6% as compared with last year to about RMB172.7 million (2017: about RMB108.9 million). The increase in the Group's other income was mainly due to the net gain on disposal of the property, plant and equipment and land use rights during the Reporting Period.

Selling expenses

In 2018, the selling expenses of the Group decreased by about RMB4.1 million or 4.3% as compared with last year to about RMB91.1 million (2017: about RMB95.2 million), accounting for approximately 2.0% of the operating revenue of the Group (2017: about 1.7%).

Administrative expenses

In 2018, the administrative expenses of the Group decreased by about RMB405.7 million or 41.8% as compared with last year to about RMB565.9 million (2017: about RMB971.6 million), accounting for approximately 12.3% of the operating revenue of the Group (2017: about 17.1%). As required by IAS 1 (as amended by IFRS 9), the Group presented the expected credit losses as determined under IFRS 9 as a separated item on the face of the statement of profit or loss for the year ended 31 December 2018. Impairment losses under IAS 39 for the year ended 31 December 2017 was included in "Administrative expenses".

Finance costs

In 2018, the finance costs of the Group decreased by about RMB164.0 million or 70.4% as compared with last year to about RMB68.8 million (2017: about RMB232.8 million), accounting for approximately 1.5% of the operating revenue of the Group (2017: about 4.1%). This was mainly due to the fact that foreign exchange was recognised as a net profit during the Reporting Period rather than a net loss as for the corresponding period of last year.

Income tax

In 2018, the income tax expense of the Group was about RMB66.0 million (2017: an income tax benefit about RMB27.5 million).

Consolidated net profit

In 2018, the consolidated net profit of the Group increased by about RMB2.5 million or 2.9% as compared with last year to about RMB88.2 million (2017: about RMB85.7 million).

Profit attributable to equity shareholders of the Company

In 2018, the profit attributable to equity shareholders of the Company increased by about RMB18.4 million or 30.3% as compared with last year to about RMB79.1 million (2017: about RMB60.7 million).

Net current assets and financial resources

As at 31 December 2018, the net current assets of the Group decreased by about RMB850.7 million or 33.9% as compared with last year to about RMB1,658.1 million (31 December 2017: about RMB2,508.8 million).

As at 31 December 2018, cash on hand and in bank of the Group decreased by about RMB102.8 million or 5.7% as compared with last year to about RMB1,702.8 million (31 December 2017: about RMB1,805.6 million), mainly denominated in RMB, USD, Australian Dollar ("AUD"), Indonesian Rupiah ("IDR") and British Pound Sterling ("GBP").

Bank loans and gearing ratio

As at 31 December 2018, the total bank loan of the Group decreased by about RMB594.0 million or 20.2% as compared with last year to about RMB2,349.6 million (31 December 2017: about RMB2,943.6 million). The bank loan as at 31 December 2018 were denominated in RMB and USD of which approximately RMB2,287.9 million were repayable within one year.

The Group's gearing ratio (calculated by total liabilities divided by total assets) was 73.1% (31 December 2017: about 72.1%).

Turnover days

Turnover days (day)	**2018**	2017
Receivables *(note 1)*	**398**	417
Trade and bills payables *(note 2)*	**434**	409
Inventory *(note 3)*	**63**	54

Notes:

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

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

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

During the Reporting Period, the turnover days of receivables decreased by approximately 19 days to 398 days (2017: about 417 days).

During the Reporting Period, the turnover days of trade and bill payables increased by approximately 25 days to 434 days (2017: about 409 days).

Inventory and inventory turnover days

The Group's inventories primarily consist of materials used in fabrication of curtain wall products, including extrusion of aluminum, glass, steel and sealant.

As at 31 December 2018, the inventory of the Group increased by about RMB129.9 million or 46.9% as compared with last year to about RMB407.1 million (31 December 2017: about RMB277.2 million). During the Reporting Period, the inventory turnover days increased by approximately 9 days to 63 days (2017: about 54 days).

Capital expenditure

In 2018, the Group's payment for capital expenditure amounted to approximately RMB10.5 million (2017: about RMB2.7 million), which was mainly related to the payment on land acquisition, construction of plant and purchase of equipment.

Foreign exchange risk

The overseas projects of the Group were mainly dominated in USD, GBP, AUD, Euro, Swiss Franc ("CHF") 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 31 December 2018 are set out in Note 15.

Charge on assets

As at 31 December 2018, the Group's bank loans of approximately RMB780.0 million were secured by property, plant and equipment and land use rights and assets classified as held for sale of the Group with an aggregate carrying value of approximately RMB786.0 million.

As at 31 December 2018, the Group's bank loans of approximately RMB157.9 million were secured by time deposits and trade receivables of the Group with a carrying value of approximately RMB173.0 million and USD161.9 million, respectively.

Save as disclosed above, the Group had no other charge on its assets as at 31 December 2018.

Material acquisitions and disposals

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

Resumption of Land in Shenyang

On 12 July 2018, Shenyang Yuanda, a wholly-owned subsidiary of the Company, entered into a land resumption agreement with (i) Shenyang Economic & Technological Land Reserve Center; and (ii) Shenyang Economic & Technological Land and Housing Expropriation and Compensation Service Center (the "**Local Representatives**"), pursuant to which the Local Representatives resumed, and Shenyang Yuanda surrendered, a total of 5 parcels of land located at Shenyang Economic & Technological Development District, Shenyang City, Liaoning Province, PRC with an aggregate gross floor area of 233,942 square metres in consideration of a compensation of RMB550,000,000 (the "**Resumption**"). The Resumption constituted a very substantial disposal for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). For further details, please refer to the announcement and circular of the Company dated 17 July 2018 and 27 August 2018, respectively.

Details of the Resumption as at 31 December 2018 are set out in Note 12.

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 of Hong Kong Limited 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 31 December 2018, an accumulated amount of approximately HK$2,029 million of proceeds from the Global Offering (of which expansion of production capacity: HK$586 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$374 million will be used in accordance to the proposed allocation as stated in the Prospectus.

Employees and remuneration policies

As at 31 December 2018, the Group had 4,604 full-time employees in total (31 December 2017: 6,094). The decrease in number of full-time employees was the result of the Group's headcount optimization. The Group has sound policies of management incentives and competitive remuneration, which align with the interests of management, employees and shareholders' alike. The Group sets its remuneration policy with reference to the prevailing market conditions and the performance of the individuals concerned, subject to review from time to time. The components of the remuneration package consist of basic salary, allowances, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus and share options.

Review of annual results

The annual results of the Group for the year ended 31 December 2018 have been audited by KPMG, the external auditor of the Company, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor's report will be included in the annual report of the Company to be dispatched to the shareholders by the end of April 2019. The audited annual results of the Group for the year ended 31 December 2018 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 the 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 of the Company and the Company's accountability. For the year ended 31 December 2018, the Company has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules, except the following deviation:

> **Code Provision E.1.2 – Chairman Attending Annual General Meeting**
>
> Mr. Kang Baohua, the Chairman of the Board, was unable to attend the annual general meeting of the Company (the "**AGM**") on 29 May 2018 as he had business engagement. Mr. Ma Minghui was elected as the chairman of the AGM to ensure effective communication with the Company at the AGM.

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 throughout the year ended 31 December 2018.

Final Dividend

The Board has resolved not to declare any annual dividend for the year ended 31 December 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 31 May 2019. A notice of the AGM will be published and dispatched to shareholders of the Group in the manner required by the Listing Rules in due course.

BOOK CLOSURE PERIOD AND RECORD DATE

For the purpose in determining who will be eligible to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (both days inclusive), during which time no transfer of shares will be registered. To ensure that the shareholders are entitled to attend and vote at the Annual General Meeting, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Group's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 27 May 2019 for registration of the relevant transfer.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE GROUP

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of the Directors as at the date of this announcement, the Group maintained adequate public float throughout the year ended 31 December 2018.

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 its business, improve the Group's profitability level against the adverse environment and achieve a brighter performance to deliver fruitful rewards to our shareholders and investors.

PUBLICATION OF ANNUAL 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 annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders of the Group and made available for review on the aforesaid websites in due course.

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

The PRC, 29 March 2019

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